



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

October 6, 2004  
(House)

## STATEMENT OF ADMINISTRATION POLICY

### H.R. 5186 - Taxpayer-Teacher Protection Act of 2004

(Rep. Boehner (R) OH and 3 cosponsors)

The Administration strongly supports passage of H.R. 5186, which would stop excessive special allowance payments to certain lenders under the Federal Family Education Loan Program, and increase certain student loan forgiveness amounts for some teachers. Special allowance payments are currently made pursuant to regulatory interpretations made during the 1990s permitting lenders to extend the payments indefinitely. Those interpretations, however, run counter to the clear purposes of the Congress and the policy of this Administration. In fact, the President's 2005 Budget proposed to eliminate these special allowance payments. Today, certain lenders receive a Government-guaranteed return on certain loans of 9.5 percent, compared to the prevailing interest rate of approximately 3.5 percent. H.R. 5186 would ensure that certain financial techniques cannot be used to increase the volume of loans receiving this guarantee while a permanent statutory change is crafted for the Higher Education Act of 1965 (HEA) reauthorization bill.

The Administration strongly supports the authorization of the President's teacher loan forgiveness initiative in H.R. 5186 that would raise, from \$5,000 to \$17,500, the maximum amount of student loan debt that may be forgiven for certain highly qualified math, science, and special education teachers who teach in high-poverty schools for five years. This initiative will provide important incentives for highly qualified teachers to teach in those areas where they are most needed. H.R. 5186 would make this loan forgiveness available for teachers who are new borrowers from October 1, 1998, and before October 1, 2005, until the HEA is reauthorized.

According to OMB's preliminary estimates, the savings from the bill's provisions relating to special allowance payments would more than offset the direct spending from the bill's provisions to expand teacher loan forgiveness. Therefore, this bill meets the Administration's budget enforcement proposal to require spending offsets for any increase in direct spending.

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