

Cuts not certain

UNL financial-aid director opposes budget cut proposals

By Kirk Zebolsky
Staff Reporter

The Reagan administration's proposed cuts of grants and work-study programs for college students will face "discussion, amending and new proposals" before they become law, said Bill McFarland, the UNL director of Financial Aid.

"Reagan has always submitted this kind of budget proposing drastic cuts and eliminating many programs and hampering others," McFarland said. "Historically, this budget does not get through as presented."

The administration also proposes an end to paying part of the interest rates on Guaranteed and National Direct student loans. The administration, in its 1988 fiscal year budget proposal, said college students should pay for most of the costs of education according to the Associated Press.

To make federal loans easier to repay, the administration has proposed "income-contingency" loans that would allow holders to make payments that vary with the size of their incomes.

The White House wants to drop the 5 percent origination fee charged to GSL holders, but wants to add a 9 percent fee to cover the costs of defaults.

The Reagan budget would cut \$5.5 billion from the \$19.5 billion appropriated for the Department of Education this year. College students would "bear the brunt" of most of the cut, the article said.

McFarland said he, financial aid

associations and the Association of Land Grant Organizations will lobby against the budget.

"It would be a serious reduction in financial aid," he said. "But I just would say that we will have many opportunities to make our points."

"I understand the needs for making cuts," he said. "I think we're willing to take our fair share with other programs to help the country to survive."

But, he said, comparing the cost of education funding to the cost of building "one or two B-1 Bombers . . . I'd rather see it go to education."

McFarland said a shift in availability from grant funds to loan funds has created a situation where more students borrow more money. If the country gets on "sound economic footing," he said, there could be a shift back to grant funds.

New requirements for schools and banks to counsel students about debts before they borrow "helps the students to gain some maturity in the financial area," McFarland said, but "they seem to be mortgaging their future."

"The more informed individuals might be less willing to mortgage their future . . . and will simply take another option," he said, referring to "middle-and upper-class" students.

A Lincoln bank official said "disadvantaged" students also might not borrow for education.

"I think maybe they aren't aware of what's available," said Ken Backemeyer, senior vice president and trust officer at Union Bank and Trust Co.

"I have heard that disadvantaged people are not used to borrowing money . . . he said. "And to them it's more traumatic . . . to think that they might have to take out a loan and what that may have to require in the future to make the payments."

Kathy Hoffart, a student-loan specialist at FirstTier Bank of Lincoln, said families in higher income brackets will find it more difficult to qualify for student loans because of new needs tests. This will offset the increase in the maximum loan amount allowed yearly, she said.

Both officials said increased student debt will not greatly harm borrowers' economic well-being.

If students responsibly plan to pay off loans, Backemeyer said, their ability to borrow for other needs won't be hurt. Hoffart said students are "just going to be more obligated." She said that she predicted that UNL students will move out of Nebraska to find jobs with a big enough salary to pay off the loans.

Hoffart and Backemeyer said that staff at their banks try to warn students about how much their payments will be.

"A lot of them maybe don't understand exactly how much they're committing themselves for payments in the future," Backemeyer said. "A lot of students don't even realize it's a loan."

He said that it is important for debtors to "keep in contact" with their lenders to prevent defaults, which will hurt their credit.

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