

# Responsibility for providing financial aid could be increased in private sector

By ERIN GIBSON  
Senior Reporter

Banks no longer handle Stafford loans for UNL, Beacon said. At most universities the size of UNL, students receive Stafford loans through a direct-lending program between the university and federal government.

About 40 percent of all federal student loans are direct loans, he said.

"When only banks made student loans, there were all kinds of problems," Beacon said.

Banks once had a monopoly on handling federal student loans, he said. The lack of competition did little to encourage banks to handle problems that existed, Beacon said.

Now, the competition of direct lending has made banks responsive and could be a good choice for some schools; but not UNL, he said.

## The lean years?

Barrett's suggestion to encourage private-sector lending on student loans would work well to subsidize federal loan programs, Beacon said.

"The limit a student can borrow is not keeping pace with the cost of education," Beacon said.

Setting up a partnership between the university and a private bank could help fill the financial needs of students not met, he said.

Beacon said he worried students could be made more dependent on loans to finish college. Instead, he favors giving more federal Pell Grants to students.

Rep. Barrett said the Clinton Administration has suggested raising the amount of federal Pell Grants from \$2,700 to \$3,000—an unprecedented high.

The grant was recently increased from \$2,470, and the Republican House majority may not be supportive of another increase, he said.

"It's ridiculous to think we're going to expand any programs," Barrett said. "It's a matter of running a leaner, more efficient government."

A more efficient government could also include elimination of the Department of Education on a national level, he said. The idea was brought up during the 104th Congress in 1996, and should arise again this spring, he said.

The department's major functions would be returned to the states' departments of education, Barrett said.

"We can do a better job with education dollars than the federal government," he said.

But Beacon said the federal government today is still a necessary part of student loans nationwide, and would not be easy to replace.

"It's a massive program," he said.

The push to reduce federal spending could change the direction students look for financial aid, a U.S. Congressman said Wednesday.

Rep. Bill Barrett said education reforms could encourage the private sector to replace federal loan programs and send U.S. Department of Education duties to the states.

"We're in a gearing-down mode to reduce spending, balance the budget and return power to the states," Barrett said.

As Congress tries to reduce spending, it will give less money for expanding education and bureaucracy, he said.

But some members of Congress are thinking about giving some funding duties to states and private businesses, Barrett said. This shift could reduce the burden of education bureaucracy and increase spending efficiency, he said.

States' private banks would do a better job of lending money to college students than the federal government, he said. For example, community and state banks make loans more personal through interviews and could better gauge students' needs than the federal government, Barrett said.

Barrett also said turning to private lenders could prevent more students from defaulting on their loan payments and keep money circulating on the local level.

## Flip side of the coin

But John Beacon, director of scholarships and financial aid at the University of Nebraska-Lincoln, said the level of default is high because it is easier for students to get federally guaranteed loans.

Private-sector banks would be reluctant to lend money to students if the loans were not guaranteed through the federal Stafford program, he said.

"Not every 18-year-old or 20-year-old could walk into a bank and take out a loan," Beacon said, "because the bank would not let them take out the loan unless there was some guarantee."

Many young college students do not have material means of guaranteeing a loan, he said.

Now, banks prefer handling federal Stafford student loans, which now carry an interest-rate cap of 8.25 percent, Beacon said.

"They can hardly lose," he said,

## Clinton honors Nebraska with small-business award

By ERIN GIBSON  
Senior Reporter

Nebraska's work to encourage small business received kudos from President Clinton Thursday, Gov. Ben Nelson said.

The state received one of the first Presidential Awards for Excellence in Microenterprise Development during an afternoon White House ceremony, Nelson said. A microenterprise includes businesses with four or fewer employees.

The Nebraska Microenterprise Partnership Fund won in the category of "Excellence in Public and Private Support for Microenterprise Development."

The fund makes loans to various community development organizations, who in turn make loans to Nebraska microbusiness entrepreneurs, said Donald Wright, public information officer with the Nebraska Department of Economic Development. Loans are later repaid into a revolving fund, he said.

And U.S. Rep. Bill Barrett said the success of Nebraska's small-business program is the key to keeping more university graduates in the state.

Nelson has pointed out the issue as one of major importance to Nebraska, he said.

According to the U.S. Small Business Administration, 91 percent of all businesses in Nebraska are microbusinesses. These businesses employ 25 percent of all working Nebraskans.

Barrett said these businesses keep both college and vocational school graduates in the state by providing quality job opportunities.

Now Nebraska should work to encourage the expansion of high-tech and high-profile businesses in the state, which would entice bright students to live in Nebraska after graduation, he said.

Educational partnerships between business and institutes of higher education also could be created to provide students with real-world experience in internships before graduation, he said.

Barrett said such partnerships would help students move more easily from graduation to the job market.

And, he said, the state's business climate would continue to improve with the help of Nebraska's higher-education graduates.

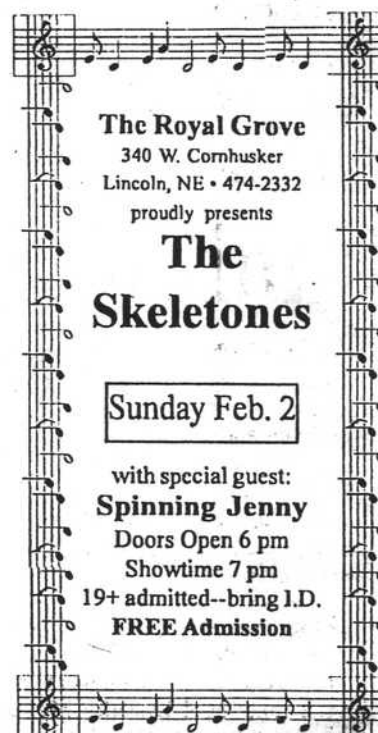
## International affairs dean resigns post

From Staff Reports

Jean Aigner, executive dean of international affairs at the University of Nebraska-Lincoln, announced Thursday she would resign from her position effective July 1.

Aigner will leave to accept a position at another university, said Irv Omtvedt, UNL interim senior vice chancellor for academic affairs.

Aigner came to UNL in 1990 after 13 years at the University of Alaska-Fairbanks, where she served as director of international programs and chairman of the anthropology department.



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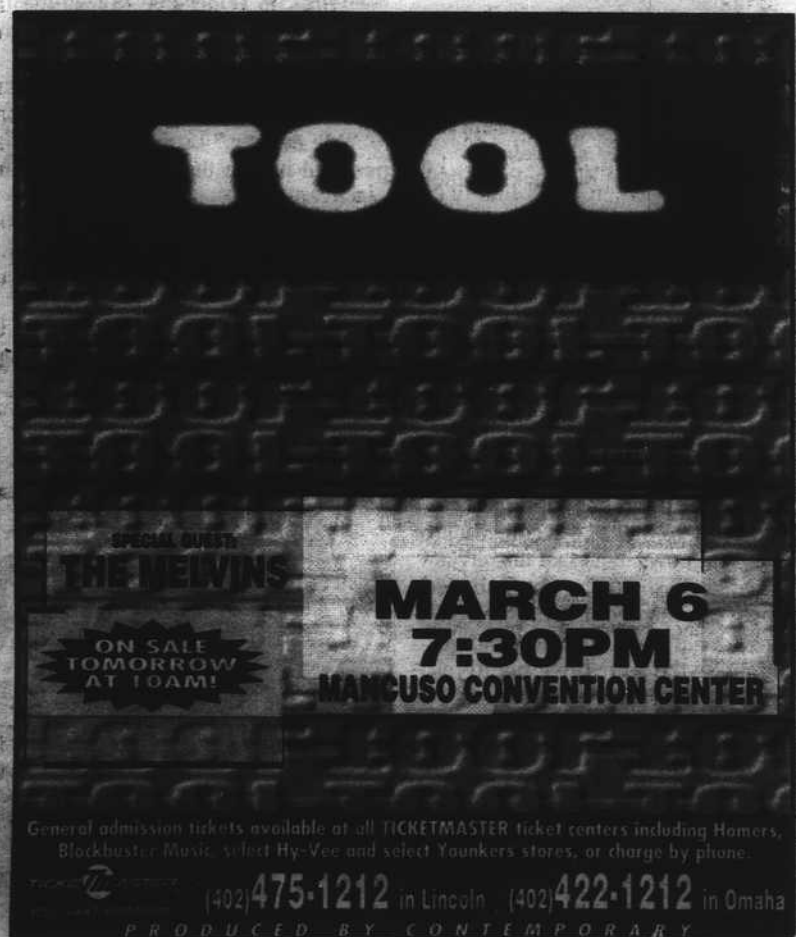
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