



STATE OF CONNECTICUT  
BOARD OF TRUSTEES  
FOR THE STATE COLLEGES

P. O. Box 2008 NEW BRITAIN, CONNECTICUT 06050  
827-7700  
TEL. NEW BRITAIN: 203-229-1807 ~~XXXXXXXXXXXXXXXXXXXX~~

RESOLUTION

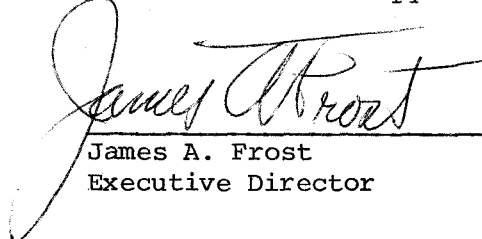
concerning

THE ASSIGNING OF NATIONAL DEFENSE/DIRECT STUDENT LOAN  
ACCOUNTS, IN DEFAULT, TO THE FEDERAL OFFICE OF EDUCATION

August 2, 1979

- WHEREAS, The United States Department of Health, Education, and Welfare has threatened to withhold all grants for National Defense/Direct Student Loan purposes from any institution not meeting certain specified requirements, such as a 10% or lower default rate, and
- WHEREAS, It appears that the State Colleges presently cannot meet these requirements, and
- WHEREAS, The Department of Health, Education, and Welfare has offered, and pressed for, an alternative, which is to assign to the United States Office of Education, not later than August 22, 1979, all accounts in default for more than two years, thereby reducing the default rate considerably, be it
- RESOLVED, That the Board of Trustees for Connecticut State Colleges authorizes the assigning to the United States Office of Education of all eligible National Defense/Direct Student Loan accounts in default which can be processed before the August 22, 1979 deadline, and be it
- RESOLVED, That, in the future, as additional accounts are determined to be eligible for assigning, they may be so assigned if, in the judgment of the Executive Director, such assigning is warranted by then current conditions, and be it further
- RESOLVED, That any such assignment shall be made only after obtaining approval of the Governor when such approval is required by State Law.

A Certified True Copy:

  
James A. Frost  
Executive Director

in MTC  
Copy to AWR  
7/31/79  
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JUL 31 1979

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BOARD OF TRUSTEES  
FOR THE STATE COLLEGES

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FOR THE STATE COLLEGES

July 10, 1979

TO HER EXCELLENCY, ELLA T. GRASSO  
GOVERNOR OF THE STATE OF CONNECTICUT

RECOMMENDATION FOR AUTHORIZATION OF THE  
CANCELLATION OF UNCOLLECTIBLE CLAIMS

At the request of the Board of Trustees for State Colleges and in accordance with Section 3-7 of the General Statutes, the Attorney General recommends that the Governor authorize the cancellation of 1,022 attached claims by the four state colleges against various former students in said colleges. Said claims are for amounts owed on account of student loans under the National Defense/Direct Student Loan Program. The total dollar amount of such claims for which cancellation approval is sought is at present \$1,074,786.97.

As set forth in the attached memorandum dated July 9, 1979 from Arnold W. Boynton, Associate for Audit and Fiscal Affairs of the Board of Trustees for State Colleges, ten percent of the above amount or \$107,978.70 is attributable to state funds provided by matching appropriations, with the balance being attributable to federal contributions.

All of the 1,022 accounts for which authorization for cancellation is requested have been in default for at least two years. They have been the subject of reminders and demand communications from the Office of the Board of Trustees, and except as to debtors with out of state addresses, collection of past due amounts has also been sought by the Bureau of Collection Services.

Authorization for cancellation at this time is sought in order that the accounts may be assigned to the United States Office of Education. The dollar value of such accounts may change slightly prior to assignment, with the accrual of additional interest and with the possible collection of some accounts prior to assignment.

While nothing collected by the United States Office of Education on these accounts will be returned to the State's Treasury, it is likely, as discussed in Mr. Boynton's memorandum to the Attorney

General, that such assignments, if made on or before August 22, 1979, will enable the State Colleges to continue to qualify for an annual amount between \$400,000 and \$500,000 of Federal funding for student loans to persons attending the State Colleges.

The enclosed proposed resolution by the Board of Trustees with respect to this matter is on the agenda for the Board's meeting of July 27, 1979.

In view of the above difficulties in collection of the said accounts and in view of the anticipated advantages which will accrue from the assignment of the above accounts to the United States Office of Education, it is recommended that authorization be given to the Board of Trustees for State Colleges to assign the 1,022 attached claims in the total amount of \$1,074,786.97, subject to variation for additional interest accruing or additional payments made prior to assignment to the United States Office of Education, and then to cancel upon the books of said Board, said claims as uncollectible.

Carl R. Ajello, Attorney General

AUTHORIZATION OF CANCELLATION OF UNCOLLECTIBLE CLAIMS

Pursuant to the provisions of Section 3-7 of the General Statutes, and upon the recommendation of the Attorney General, authorization is given to the Board of Trustees for State Colleges to assign to the United States Office of Education, and then to cancel upon its books, as uncollectible, 1,022 claims as set forth on the attached lists, against former students at the State Colleges, for sums owed on account of student loans under the National Defense/Direct Student Loan Program, which sums currently total \$1,074,786.97, and which total may vary, prior to cancellation and assignment, on account of additional accrued interest or on account of additional payments made.

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JUL 31 1979

BOARD OF TRUSTEES  
FOR THE STATE COLLEGES

Governor

Date

# Interdepartment Message

SAVE TIME: *Handwritten messages are acceptable.*

*Use carbon if you really need a copy. If typewritten, ignore faint lines.*

STO-201 REV. 3/77 STATE OF CONNECTICUT  
(Stock No. 6938-051-01)

<b>To</b>	NAME Honorable Carl R. Ajello	TITLE Attorney General	DATE July 9, 1979
	AGENCY Attorney General	ADDRESS 30 Trinity St., Hartford, Connecticut 06105	
<b>From</b>	NAME Arnold W. Boynton	TITLE Associate for Audit and Fiscal Affairs	TELEPHONE 137-7700
	AGENCY Board of Trustees for State Colleges	ADDRESS P.O. Box 2008, New Britain, Connecticut 06050	
SUBJECT Cancellation of uncollectible claims under Section 3-7			

Enclosed is a list of accounts, representing borrowers under the National Defense/Direct Student Loan Program, which have acquired a default status under the program definitions of same. We are requesting that you review this list, together with the following information, for the purpose of recommending to the Governor that these accounts be cancelled upon the books of the State Colleges as provided for in Section 3-7 of the General Statutes.

This action is requested because the United States Department of Health, Education, and Welfare is pressing to have all institutions of higher education assign to the U.S. Office of Education all defaulted loans over two years old, giving as an incentive the opportunity to reduce the default rate, thereby bettering the chances of continuing Federal Student loan grants at a high level as against the possibility of an institution's total loss of such grants. In a memorandum dated January 29, 1979, Secretary Joseph A. Califano, Jr., of H.E.W. stated:

"Third, I have asked the Commissioner of Education to develop proposed regulations for the 1980-81 academic year that will set performance standards for the reduction of institutional default rates. The proposed regulation will provide that institutions which do not meet these standards will receive no further NDSL funds from the Federal Government. Performance will be evaluated on the basis of fiscal operations reports submitted for the period June 30, 1978 to June 30, 1979.

"We believe that to affect the default rate significantly, it is essential that the Office of Education have the opportunity to collect the older loans. I hope these actions will encourage institutions to assign older defaulted loans to the Office of Education and to commence rigorous collection efforts on newer loans."

Although we have been unable to ascertain what, if any, standards have been set, it has been suggested that a 10% rate and/or decided improvement over the prior year will be required. As of June 30, 1978, rates for our four colleges were between 17% and 24%. It appears that assignment of the listed accounts will result in a default rate of under 10% for each college.

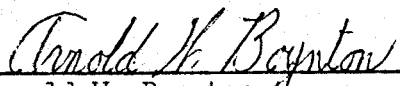
★ The accompanying list contains 1,022 accounts with a total currently assignable value of \$1,074,786.97.

Ten percent of this amount, \$107,478.70, is attributable to matching funds provided by State appropriation, none of which will be returned to the State in the event of any recovery by the Office of Education. On the other hand, between \$400,000 and \$500,000 in Federal contributions for the NDSL program is received annually and some part or all of this may be placed in jeopardy if we fail to assign these defaulted accounts. Some saving by the State will be realized through the reduction in the number of accounts which require continuing processing by this office and the Bureau of Collection Services. It should be noted that the current number of accounts and the dollar value of same may change slightly with the accrual of additional interest and with the possible collection of some amounts due prior to assignment of the accounts.

No payment has been made on any of these accounts within the past two years. All have been subject to a series of reminder and demand communications (account statements, letters, telephone calls when practical) by this office. When available, the services of the Internal Revenue Service have been used for tracing borrowers. Failure of these steps to obtain results has led to transmittal of the accounts to the State Bureau of Collection Services. All have been with the Bureau for at least a year. With the exception of those with out-of-state addresses, the Bureau's regular procedures have been used in an effort to effect collection. Because the Bureau of Collection Services cannot take any legal action against out-of-state accounts beyond the use of a series of dunning letters, we are exploring the possibility of contracting with a commercial collection agency to handle such accounts in the future.

We have been informed that August 22, 1979 has been set as the deadline for assignment of accounts in default. Accounts received by the Office of Education after that date cannot be considered in relation to the fiscal operations report for the 1978-1979 fiscal year. As there probably will be as much as a month's work involved in recovering the files for these accounts from the Bureau of Collection Services, in securing from the colleges the endorsed original promissory notes, in reviewing all materials for correctness and completeness and in preparing the necessary cover documents and lists, we ask that you please expedite the processing of this request. There are a number of reasons for this being a "last minute" request, which can be explained, if you so desire; however, such an explanation herein would only add further delay to the accomplishing of our purpose.

We already have had informal telephone discussions of this situation with Attorney Robert E. Walsh of your staff.

  
\_\_\_\_\_  
Arnold W. Boynton  
Associate for Audit and Fiscal Affairs

AWB/em  
encl.



# STATE OF CONNECTICUT

BOARD OF TRUSTEES  
FOR THE STATE COLLEGES

P. O. Box 2008

NEW BRITAIN, CONNECTICUT 06050

TEL. NEW BRITAIN: 203-229-1607

TEL. HARTFORD: 203-566-7373

**TEL. NO. 827-7700**

Summary of List of National Defense/Direct Student Loan  
Accounts for which Approval to Cancel is Requested

CENTRAL CONNECTICUT STATE COLLEGE

We Have:	85 two through three years past due	\$ 95,853.70
	37 three through four years past due	38,928.01
	42 four through five years past due	52,978.07
	<u>167</u> over five years past due	<u>222,117.53</u>
Total	331 Accounts	\$409,877.31



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827-7700

Summary of List of National Defense/Direct Student Loan  
Accounts for which Approval to Cancel is Requested

WESTERN CONNECTICUT STATE COLLEGE

We have:	41 two through three years past due	\$ 42,497.11
	11 three through four years past due	12,771.29
	4 four through five years past due	1,653.89
	<u>99</u> over five years past due	<u>104,438.32</u>
Total	155 Accounts	\$161,360.61



# STATE OF CONNECTICUT

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FOR THE STATE COLLEGES

P. O. Box 2008

NEW BRITAIN, CONNECTICUT 06050

TEL. NEW BRITAIN: 203-220-1607

TEL. HARTFORD: 203-566-7373

827-7700

Summary of List of National Defense/Direct Student Loan  
Accounts for which Approval to Cancel is Requested

SOUTHERN CONNECTICUT STATE COLLEGE

We have:	56 two through three years past due	\$ 47,896.82
	20 three through four years past due	17,290.82
	17 four through five years past due	10,953.61
	<u>233</u> over five years past due	<u>227,356.11</u>
Total	326 Accounts	\$303,497.36





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TEL HARTFORD: 203-566-7373

**TEL NO. 821-7700**

Summary of List of National Defense/Direct Student Loan  
Accounts for which Approval to Cancel is Requested

Eastern Connecticut State College

We have:	60 two through three years past due	\$ 52,216.34
	11 three through four years past due	6,657.69
	2 four through five years past due	2,181.97
	<u>137</u> over five years past due	<u>138,995.69</u>
Total	210 Accounts	\$200,051.69