MIT incurs debt to continue loans

By Jules Mollere

Federal attacks upon the National Defense Student Loan program have caused MIT to incur a new five-year debt obligation. According to Leonard V. Gallagher, Associate Director of Student Financial Aid, the Institute has had to borrow against its credit on the near certainty that National Defense Loans will not be in existence next year.

The White House, which has recently championed the demise of this program, nearly achieved that goal in the last session of Congress. The result has been a rude awakening of most private colleges to the fact that they no longer depend upon these loans as a steady source of funds.

Gallagher said that MIT, in particular, has launched a massive campaign to discover new sources of student aid and to phase out National Defense Funds, which in the last six years have constituted more than half the money spent on student assistance.

In order to stabilize its money needs in the not-too-distant future, the Institute has had to find ways to spend more money than it has in its treasury, and, for the first time in its existence, has had to borrow the rest on credit.

The actual procedure was to use a $3 million grant to pay the interest for a period of 10 years on an even larger loan thereby obtaining the necessary funds for 2 years of student aid. The effect has been two-fold; to put the Institute into debt for a period of 10 years; and, in the opinion of Gallagher, "to define the problem for two more years."

He later qualified this statement by saying that he sees no real trouble in that continuation would cause in the short run, but that it could present additional difficulties if it became a habit.

According to Gallagher, this problem is only one in a long series that has recently beset the financial aid office. Up until eight years ago the financial aid program coasted along nicely on its own endowment (income from the investment of periodic gifts), individual grants, and outside scholarships won by incoming students.

In recent years, however, these resources have been insuffi- cient to meet the needs of students. More than 10 percent of the student aid budget has had to be allocated from the yearly tuition.

Another sore spot for the Financial Aid Office deals with federally insured loans. This program allows MIT to make loans to students, the interest for which is paid by the federal government for as long as that student is in school.

However, once that student is no longer enrolled, the principal of that loan and all subsequent interest must be repaid accord-

ing to extremely rigid federal guidelines. This, plus the accumu-
lation of all other debts that the student owes, may result in a situation where repayment demands exceed his ability to pay. In order to avoid this problem as much as possible, all MIT repayment schedules are based upon an individual and comprehensive assessment of each student's obligations and his ability to pay, as determined by yearly updated statistics of what MIT alumni are in fact earning. Sult-
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