Evaluating Student Loan Auctions

A Discussion Paper prepared by the National Association of Student Financial Aid Administrators

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"Opening Doors of Educational Opportunity"

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Foreword

Federal student loans have become a mainstay of student financial aid. Today the average undergraduate in a four-year degree program will graduate with $20,000 in student loan debt. Still the majority of students should be able to handle moderate levels of debt given the increases in pay that a college education is likely to offer.

Students are not the only ones affected by the increases in loan debt. Student loans are subsidized by the public and every consideration must be made to ensure that taxpayer money is being delivered at the lowest possible cost.

Currently the Department of Education administers two student loan programs: the Federal Direct Student Loan Program and the Federal Family Education Loan (FFEL) Program. Although there is much debate over which program saves taxpayers and borrowers the most, inconsistent budget scoring methods and the difficulty in calculating administrative burden makes a direct comparison extremely difficult. This paper does not attempt to examine differences between these two programs. Instead, it assumes that any federal student loan program must operate efficiently for taxpayers and provide the best loan products and services for borrowers.

The FFEL program must achieve the difficult balance of both saving taxpayer dollars without excessively burdening borrowers. Cutting loan subsidies increases savings to taxpayers, but also reduces the benefits that loan providers offer borrowers to compete for their business. Loan subsidies that are too high may persuade some lenders to offer generous benefits to students, but also may lead to taxpayers footing the bill for revenue windfalls that are not necessary to keep loan providers participating in the student loan program.

Loan auctions have been hailed as one possible solution to solving this balancing act. Through auctions, loan providers bid on the lowest subsidy they would be willing to accept for the exclusive right to originate loans. But closer inspection shows that loan auctions are riddled with problems for both taxpayers and borrowers.

The purpose of this discussion paper is to stimulate discussion on student loan auctions and challenge many of the broad assumptions used to justify their use. This paper is not designed to provide all of the answers, but will hopefully serve as a launching point for further study and inspection.

Continued…

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Executive Summary

A fundamental challenge with student loan subsidization is determining the appropriate subsidy rate that will encourage lenders to participate in the Federal Family Education Loan (FFEL) program without receiving taxpayer-funded windfall of revenues. Since federal student loan subsidies began in 1966, Congress has taken a "guess" approach to setting subsidy rates. Now lawmakers have implemented an auction system (only partially on parent PLUS loans) that would instead inject market conditions into the equation, forcing lenders to compete for the lowest subsidy rate in order to originate loans. On the surface, an auction system for federal student loans seems to inject market conditions into a government controlled and subsidized system. But the current auction system has been implemented based on several faulty assumptions.

- **Assumption:** Competition will drive down subsidy rates.
- **More Likely:** Competition will drive down subsidy rates only in a few states and only for a few years. Most states will likely see very little competition and in states where there is competition subsidy rates are likely to rise after a few years.

- **Assumption:** Taxpayers will save money by lenders competing for the right to originate loans.
- **More Likely:** Increased financial incentives built into the loan auction system to encourage lender participation will diminish potential savings and in some cases could actually cost taxpayers more than loans originated outside of the auction system.

- **Assumption:** Borrowers will not be affected by loan auctions because many do not qualify for borrower benefits anyway.
- **More Likely:** Loan providers will compete for the right to originate loans, not for the customers who use them. Currently, most borrowers qualify for some sort of borrower benefit, even if it is only an origination fee reimbursement. Borrower services such as default prevention, financial literacy, and electronic processing, are also likely to be less funded as borrowers compete only to originate.

- **Assumption:** The parent PLUS loan auctions will provide a good indication of what loan auctions will be like for all FFEL loans.
- **More Likely:** Parent PLUS loans make up a fraction of Stafford loan volume and will not realistically provide any indication of how an auction system would work across the significantly larger FFEL program.

- **Assumption:** Market consolidation may occur on a limited basis, but the market is already dominated by a few large lenders.
- **More Likely:** A comprehensive loan auction system would lead to fewer loan providers competing for loans as smaller lenders are starved out of the program or merge in an

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> attempt to compete. Large loan providers have acknowledged that currently the presence of smaller loan providers in the market, particularly nonprofits, force loan costs down for borrowers.

The student loan auction system presupposes that the current system is broken beyond repair. Finding the appropriate subsidization amount is difficult, but the “guess” approach previously used by the federal government may not be wrong. The subsidy rate may just need more frequent adjustments based on empirical evidence.

A closer look reveals that an auction system in the FFEL program will likely result in market consolidations, fewer loan providers, fewer benefits for borrowers, and limited savings for taxpayers that will diminish over time. A more sound and realistic approach would be to work with loan providers, stakeholders, and other non-partisan analysts to adjust subsidization levels on a more frequent and independent basis than has been done in the past.

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Evaluating Student Loan Auctions

In the 2007-08 award year there will be an estimated $54 billion in Federal Family Education Loan (FFEL) Program loans, not counting consolidation loans. The federal government focuses on access to higher education by distributing federal student aid money equitably without considering students' economic means. Loan providers are also concerned with access, but are beholden to their shareholders who demand acceptable returns on their investment. Without government subsidization, loan providers would protect their assets and minimize their financial risk by only offering loans to students who meet certain minimum credit criteria. Many students from disadvantaged backgrounds would not be able to borrow student loans, or would be forced to pay increased fees or high interest rates compared to students who are financially better off.

Since the nation benefits from an educated workforce, it is in the public's interest to provide equal access to higher education.

The federal government provides subsidies to entice lenders to lend money to student borrowers who have little to no credit history, no assets to repossess in cases of default, and no current earnings. These subsidies were originally introduced in 1965 to increase the number of lenders willing to loan money to students to help them pay for their college educations.

The subsidies are provided in one of two ways. First, loan providers receive guarantees that if a student defaults, the lender will be reimbursed up to a certain amount, historically around 97 percent of the total outstanding loan amount. Second, the Department of Education pays loan providers subsidization payments based on a specific loan subsidy amount. If the amount borrowers pay exceeds the rates lenders receive, the lenders refund the difference to the government. If the amount borrowers pay is less than the rates lenders receive, the government makes up the difference.

In exchange for these subsidies, lenders promise to make loans to all students without regard to credit risk and subject themselves to interest rates and other terms and conditions set forth by Congress.

A fundamental challenge with these subsidies is determining the most efficient subsidy rate. If subsidy rates are too low, many lenders may drop out of the program as the costs and risks associated with making student loans outweigh the potential benefits. Fewer participating lenders would reduce loan options, products currently marketed to unique students, and services for borrowers.

Even if lenders drop out of the federal loan programs, it is unlikely they will leave student lending altogether as demonstrated by the explosion in the private loan market, where more money would likely be spent on direct-to-consumer marketing.

If subsidy rates are too high, lenders receive a windfall of revenues from the American taxpayer beyond what is necessary to keep them participating in the program. For 41 years Congress has used a "guess" approach to setting subsidy rates. In the past decade Congress has attempted to refine the subsidy rate by making successive cuts that are used to fund other student aid

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programs, tax breaks, or to pay down the deficit.

Finding the most efficient subsidy rate that would yield an optimum number of participating lenders at the least cost to taxpayers is problematic. The guess approach to loan provider subsidies has led to political posturing between student loan providers, borrower advocacy groups, and members of Congress.

The Auction System

In an effort to find that perfect subsidy rate, Congress has passed legislation that would require lenders to "bid" on the lowest subsidy they are willing to accept for exclusive rights to originate loans in each state. According to a 2007 Congressional Budget Office Cost Estimate on the legislation, the auction would work like this:

> Beginning in July 2009, all guaranteed parent loans made to parents on behalf of dependent students for whom they have not previously borrowed would be made by lenders who won the rights to make those loans through competitive auctions. Two winning lenders in each state who bid the smallest add-ons to the three-month commercial paper (CP) rate used to calculate special allowance payments would have the right to make loans for two years. At the end of that two-year period, the auction of the right would be repeated.

As additional incentives, winning bidders would have their loans guaranteed at 99 percent in cases of default, two percentage points higher than the normal guarantee rate, and would have the one percent origination fee they pay to the Department waived.

The CBO budget estimate believes that given current market conditions the subsidy rate would competitively settle at CP plus .60 percent. Currently the subsidy rate is CP plus 1.19 for borrowers in school and 1.79 for borrowers in repayment.

This auction system was created to inject market capitalism into a program that is heavily subsidized by the federal government. Some believe it would allow the market – through competitive bidding – to decide the appropriate subsidy rate that lenders would be willing to accept to have exclusive loan origination rights in a state. Others feel that this auction system will create an oligopoly in an industry that is already plagued by too few, serious loan providers.

Auctions and Oligopolies

Decreased revenue due to a reduction of federal subsidization is not a lender's biggest fear from an auction system. They fear that such a limiting system has the potential to create a monopoly or oligopoly where the student loan marketplace would be dominated by a few very large "mega" lenders.

An oligopoly exists when there is a market situation characterized by relatively few sellers, so few that no real competition exists. Trying to predict an economic outcome with an oligopoly is difficult for economists because it requires heroic assumptions. In a perfectly competitive market, economists are able to more accurately predict market outcomes based on the principles

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of supply and demand. In a noncompetitive market, the best that economists can do is describe a range of possible outcomes because the suppliers become price makers. They have the ability to control price irrespective of demand.

Many fear that an auction system would create an oligopolistic market. According to a 2001 U.S. General Accounting Office (GAO) report *Alternative Market Mechanisms for the Student Loan Program,* "the diversity of lenders would likely decline" in such an auction system. The GAO report goes on to warn that while an auction system could have "the potential to reduce federal FFEL program costs… their ability to realize this potential depends on whether there is sufficient competition in bidding."

Being price makers would allow lenders to control two different types of prices: the price to the government through their bids and the price to borrowers through decreased borrower benefits.

Auction System Reduces Competition

Subsidy rates would most likely go down initially as multiple lenders compete for the exclusive rights to originate loans. But larger lenders, with more capital and loan volume, could dominate the market in the first few years, forcing smaller lenders to abandon the program. After a few years, when fewer lenders are left in the program, subsidy rates would likely go back up (and savings to taxpayers would go down) because the few lenders left could dictate the subsidy without fear of competition.

One of the downfalls of government auctions is that most bidders do not have the money up front to cover the costs of their bid. Therefore, bidders must finance their bids, either by raising capital internally (e.g., corporate bonds, additional stock offerings, selling assets) or by forgoing future revenues. In the case of student loans, loan providers would be sacrificing future revenues through decreased subsidization for the exclusive right to originate loans.

Auctions work relatively well in a system where raising cash for bids is easy, according to "Financing Auction Bids" in the 2005 *Rand Journal of Economics,* but it is inefficient in systems where bidders' ability to raise capital is not equal.

"A bidder with more cash will receive a higher portion of the ex-post payoff and thus his increase in payoff for a small change in valuation will be higher," according to the article.

Lenders with large amounts of cash reserves or lenders with large student loan portfolios where loan securitization can secure favorable funding will be able to recoup their costs at lower subsidization levels. According to Department of Education figures, of the 20 largest student loan originators in 2006, 12 are also the top 20 student loan holders. In other words, of the 20 largest loan providers competing for loan volume, 12 also have the largest loan portfolios.

Sallie Mae and Citibank hold the top two positions in both categories with Sallie Mae originating 80 percent more loan dollars than Citibank in 2006 and holding 325 percent more loan volume.

Even more telling is to examine the loan providers whose portfolio increased the most from 2005 to 2006 because it indicates which loan providers are most aggressively expanding. Again Sallie

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Mae had the largest increase in loan volume, followed by Nelnet. Of the ten largest student loan holders, eight also made into the top ten list of largest increases in student loan volume.

Under a loan auction system, loan providers with the greatest capital, or the greatest ability to raise capital, could practice a form of entry-limit pricing. The limit price is the price that another competitor would face when trying to enter the market. The limit price is often lower than the average cost of production, or just low enough to make entering not profitable. In this instance, entry-limit pricing would refer to large lenders sacrificing short-term return-on-investments to win bids at lower subsidy rates than they would normally accept for adequate revenues. This would create entry barriers for other loan providers by lowering the winning subsidy bid to a point that makes it difficult or impossible for potential rivals to make successful bids. Smaller loan providers would most likely be forced out of the market.

The fact that smaller lenders would not be able to outbid much larger mega-lenders demonstrates the capital requirements needed to compete in an auction system. Once small lenders are forced out of the market, the odds of them reentering are small because capital requirements present a significant barrier to enter the market.

Given the recent cuts in the FFEL program, and the subsequent cuts in student discounts, it is plausible that some loan providers may opt out of the federal loan programs altogether to compete solely in the private loan market. An auction system that forces out smaller lenders could exacerbate the already troubling increases in private student loans, which offer fewer protections and generally higher costs for students than federal loans. Increases in the private loan market would most likely increase the amount of direct-to-consumer marketing as well.

According to *Financing Auction Bids*, smaller bidders generally win an auction over larger bidders **only** when they partner or merge with other small bidders. This leads to market consolidation. As an example, the authors cite auctions run by the Federal Communications Commission for radio spectrum broadband in the 1990s.

For almost 10 years the government has used an auction system with FCC bandwidth. The government sells sections of the radio spectrum to potential buyers. In the beginning, most firms could not come up with the capital to purchase the station frequencies being auctioned. Mergers and acquisitions of all types occurred to enable smaller bidders to finance competitive bids. The result was increased market consolidation as smaller companies merged to compete with larger companies or left the market altogether. Industry consolidation could lead to more bidders up front – since smaller lenders might not be able to bid at all prior to a merger – but would decrease overall competition in the market loan providers dwindle in numbers.

The Contributions of Smaller Lenders

Some argue that an oligopoly already exists in student lending given the amount of loan volume the top 10 loan holders posses. But even if smaller lenders make significantly smaller amounts of loans to borrowers, the fact that they exist tend to keep loan costs lower for all borrowers. Sallie Mae's filing with the Securities and Exchange Commission on Form 10K (2004) demonstrated that competition from state, nonprofit agencies does in fact drive down costs to borrowers.

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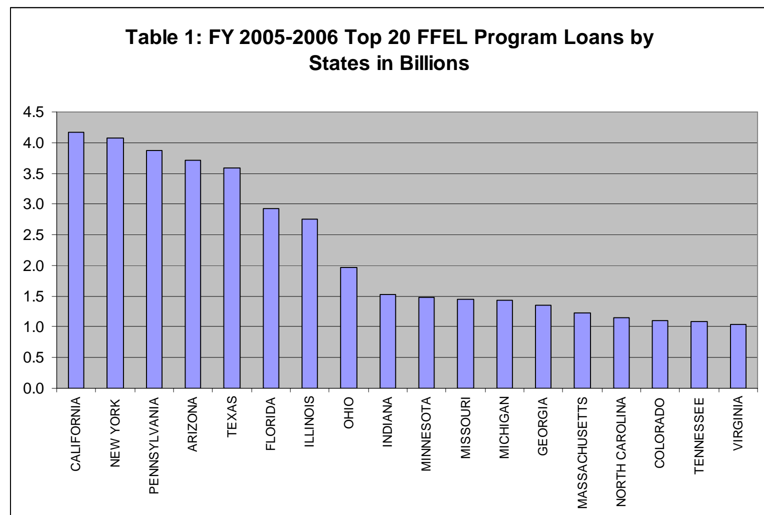
> "Certain lenders, state agencies and non-profit organizations offer deeply discounted or zero fee pricing on Stafford loans in which the lender pays the mandatory three percent origination fee on behalf of the borrower. As a result, the lenders have increased their market share of FFELP student lending. **To compete more effectively** [emphasis added] with those lenders, we have launched a zero fee pricing initiative. In addition, on a school-by-school basis, we have begun to offer more competitive pricing solutions that include zero fee options. This competitive strategy is designed to boost our Preferred Channel volume and to protect and grow our volume at specific schools. While the goal of this pricing initiative and the pricing solutions is to grow our FFELP loan volume, this strategy will reduce our margins on the affected student loans."

More competition means lower costs for borrowers. While there are a few large state, nonprofit loan providers such as the Pennsylvania Higher Education Assistance Authority and the Missouri Higher Education Loan Authority, the majority fall outside of the top 20 student loan holders. Even though the total amount of loans originated or held by these lenders is small, the effect on larger lenders through competition is pronounced as articulated in the SLMA SEC filing. Having many loan providers in the market keeps the industry competitively healthy.

The Likelihood of Reduced Subsidy Rates

Under the College Cost Reduction and Access Act (P.L. 110-84), the student loan auctions would contain a reserve price, the highest subsidization level that the government would be willing to accept from a winning bidder. The reserve price is equal to the current subsidization rate of CP +1.79, which is used as the baseline for these auctions.

With the reserve price set at the current subsidization level of 1.79, winning bids would presumably come in below that level, thereby saving the government money. But whether winning bids will be significantly lower than that rate is questionable because loan providers are most likely to compete in a limited number of states where their potential return on investment will be higher.



Examining total FFEL loan volume (Table 1) distribution throughout the 50 states shows significant amounts of loan volume in seven states: California, New York, Pennsylvania, Arizona, Texas, Florida and Illinois. Loan volume in these states for fiscal year 05-06 exceeded $2.7 billion. In those states, an auction could significantly decrease subsidization levels as lenders fight for the right to exclusively originate those loans.

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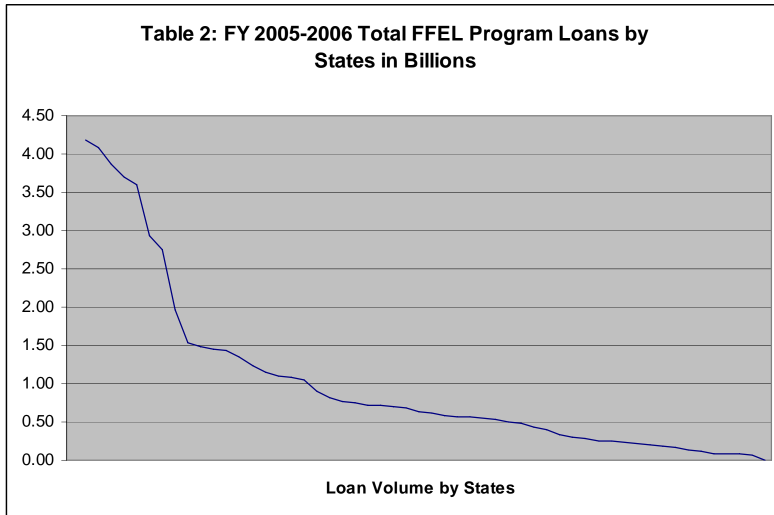
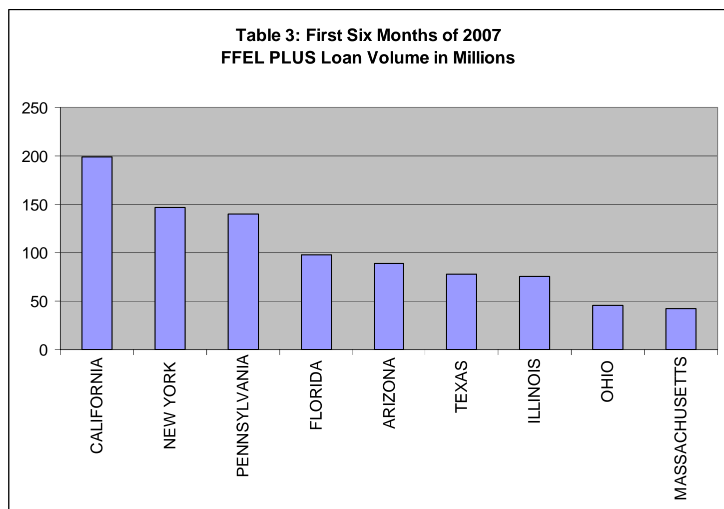


In other states where total loan volume is significantly less, there would presumably be much less competition. Table 2 shows how quickly total FFEL volume drops after accounting for the highest 20 states. Thirty states originated less than $1 billion and 20 states originated less than $500 million in FY 05-06. In those states many lenders may not bid at all, or simply bid near or at the reserve price if loan auctions were extended to the entire FFEL program. Still, there is incentive for the lenders to bid even when it is near the reserve price because the loans made through the auction system are guaranteed at a higher rate of 99 percent and do not require the lenders to pay any origination fees to the Department. In fact, auctions where loan providers win bids at the 1.79 level could end up costing taxpayers more than loans made outside of an auction because while the subsidy rate is the same, auction loans would be eligible for higher default reimbursement and waived origination fees.

In instances where there is no winning bid, the Act declares that the Secretary of Education will declare a “lender of last resort” that will be allowed to make loans in that state at the current 1.79 level. Only in the states where lenders truly want to compete will significant savings be passed along to taxpayers. In the end, an auction may produce savings in a handful of states and very little savings in most other states.

Since the legislation currently limits the auctions to parent PLUS loans, it is helpful to examine PLUS loan volume throughout the US. The FFEL loan volume update for the first six months of fiscal year 2007 shows that the same states that lead in total FFEL volume are leading the pack in PLUS loans (see Table 3). Only four states approach or exceed the $100 million mark and that is where competition is likely to be fierce. But more than 40 states originated around $40 million or less in Plus loans for the first six months of 2007. Competition in those states will be much less, the winning subsidization rates will be higher, and savings to taxpayers and borrowers will be less.



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Decreased Savings to Taxpayers

While subsidy rates could potentially decrease in highly competitive states early on, it is likely that they would once again increase towards the reserve price after a few years as the supply of loan providers decreases.

The 2007 CBO report estimates that an auction system would generate about $2.0 billion in taxpayer savings over five years with an average subsidy rate of roughly .60 percent. Other auction systems show that even if subsidy rates decrease to .60 percent in the first few years, it is unlikely that they will stay that low once the market is controlled by a handful of lenders. Mark Kantrowitz, finaid.org founder, believes the CBO estimate is overly optimistic and puts the savings between $750 million and $1 billion.

The likelihood that the subsidy rate would rise after market consolidation increases as lenders attempt to recoup lost revenues that had been sacrificed to win out over other lenders in earlier years. After several years, subsidization levels could be back to the reserve price set by Congress with the only difference being fewer loan providers in the market and fewer benefits for borrowers.

Balancing Competition for Subsidization with Competition for Borrowers

Considering taxpayer savings is only part of the equation. The other part of the equation is ensuring that students receive the best terms and benefits on loans to create equal access to higher education. An auction system, even one that operates efficiently, would decrease benefits for borrowers.

In short, there are competing interests in federal student loans. On one hand, taxpayers' money should be spent wisely, meaning that lender subsidizations should be at the lowest possible price. On the other side, private lenders are encouraged to compete with one another and offer borrowers as many benefits as possible to attract borrowers to their loan programs.

Currently borrowers receive several benefits from lender competition: reductions in origination fees, interest rate reductions, and/or rebates or loan forgiveness after a certain number of on-time payments.

An auction system would actually encourage lenders to compete only for the right to originate loans, not for the right to compete for borrowers' business. The Act would guarantee a winning bidder exclusive rights to originate new student loans in a state for at least two years. With exclusive rights to originate loans, loan providers have little incentive to offer any borrower benefits. Two lenders that have exclusive rights to originate loans in a state could come to a formal or informal agreement about the benefits offered to borrowers in that state. If lenders sacrifice future profits to win an auction through a greatly reduced subsidy rate, there will be little money left to offer borrower benefits.

The legislation gives the Secretary of Education authority to pre-qualify lenders that can participate in the auction by setting "borrower benefits and servicing requirements." To what extent the Secretary will specify the type and amounts of borrower benefits that will be required

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of lenders is unknown. If the prequalification standards are too high, then fewer loan providers will participate given that they must also bid for the right to originate. If the prequalification standards are nothing more than minimum regulatory requirements, there will be no benefit to the prequalification requirement.

In effect, an auction forces competition for the right to originate loans while decreasing competition to offer borrowers good terms and benefits on loans. Where the taxpayers may save, the borrowers would certainly lose.

Consistency in Choice

Under the current auction model each state auction will take place every two years. Winning bidders will be the only eligible lenders permitted to originate loans for “the cohort of students at institutions of higher education within the state until the students graduate from or leave the institutions of higher education.”

This can be problematic for borrowers who transfer to other schools out of state where other loan providers may have origination rights, or for borrowers who leave school and return at a later date. Borrowers in these circumstances might be required to change lenders. Forcing borrowers to choose a certain lender and denying them the same loan provider in subsequent years in different states will be burdensome and detrimental to borrowers.

Savings to Students Overall

While student loan borrowers lose benefits through an auction system, other students may see a net gain in their overall financial aid packages as savings from the auction system are diverted to other forms of gift aid, like the Pell Grant.

But middle-income students, or families of the “working poor” who do not qualify for the Pell Grant or other forms of need-based aid will be the biggest losers under an auction system. These families make just enough to disqualify themselves for most need-based aid and are more likely to depend on student loans. As borrower benefits and student loan discounts diminish, they will be stuck with higher costing student loans that needy students may be able to avoid and that wealthier families can afford.

Auctions Are Currently Limited in Scope

The new legislation only mandates that federal PLUS loans made to parents be integrated into an auction system. Loan providers also make Stafford loans and PLUS loans to graduate students, which account for the majority of student loan volume. In the 2006-07 school year there were approximately $47 billion FFEL Stafford loan commitments and only $8.1 billion FFEL PLUS loan commitments. Given that the auction system will only apply to limited amount of all FFEL loans, it is unclear how many lenders will bid or participate in the auction at all.

The limited supply of loans up for auction may actually serve as another form of price reserve, which could reduce the number of bidders, decrease the number of successful auctions, and only result in increased savings in a small number of markets.

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It is unlikely that implementing an auction system on such a limited scale will give an accurate portrayal of a comprehensive auction system.

Auction System Vs. Current System

Finding the appropriate subsidization amount is difficult, but the "guess" approach previously used by the government may not be wrong. The subsidy rate may just need more frequent adjustments based on empirical evidence, similar to way the Federal Reserve, which monitors inflation, deflation, and economic growth, adjusts the amount of money in the market.

The Federal Reserve's goal is to fight off recession and inflation. It does so by constantly adjusting rates and money supplies throughout the year. For example, the Federal Reserve can increase or decrease what it costs for banks to borrow money from each other by increasing or decreasing the federal funds rate. The Federal Reserve may adjust that rate several times throughout the year. During times of inflation the Federal Reserve attempts to decrease the money supply in the market by making it more expensive for banks – and ultimately consumers – to borrow money.

While student loan providers have been recording record profits in recent years, no action had been taken to adjust subsidization amounts to an acceptable level that would balance taxpayer savings with borrower benefits. A system could be implemented with federal student loans so adjustments are made to subsidization levels based on taxpayer expenditures, a close examination of lender revenues, and market stability.

It may not be reasonable or desirable to set subsidization levels several times a year as the Federal Reserve does, but this seems to be a better option compared to the knee-jerk reaction that caused more than $40 billion to be cut from lender subsidies in the last two years in addition to the implementation of a new auction system. It may be wiser to consider less drastic measures to more frequently reset subsidy rates at reasonable and effective levels.

The Federal Reserve was created to act independently and (theoretically) outside the influence of Congress and the White House. It is an independent monetary agency where decisions are made by experts. Finding the appropriate subsidization levels for lenders may be best achieved using similar principles where political agendas can be removed from the subsidization process. This is not to suggest that the Federal Reserve should determine subsidy rates for student loan providers, only that finding the correct subsidy rate for student loan providers could be more successfully implemented by an apolitical body that has access to loan provider financial statements, SEC filings, and other market indicators to more accurately and regularly adjust subsidy rates.

If subsidy rates are decreased too much, demonstrated by market volatility, a correction could be made. If the market is stable, and loan providers record excessive profits, another correction could be made.

The question becomes whether the current "guess" approach was really broken, or whether Congress has neglected its duty to regularly evaluate, adjust, and reauthorize appropriate subsidization levels based on several factors ranging from lender revenues to borrower benefits to market stability.

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In the past ten years Congress evaluated the appropriate subsidization levels four times: in 1997, 2001, 2003, and 2007. In each instance adjustments were made to fund other programs, tax credits, tax break; to pay down the deficit; or to retaliate against excessive lender revenues. Evaluating and adjusting subsidization levels more often with different criteria might do more to balance taxpayer savings without sacrificing borrower benefits or a healthy market.

On the surface an auction system for federal student loans seems to inject market conditions into a government controlled and subsidized system. The auction system currently stipulated for FFEL parent PLUS loans is too limited in scope to give a realistic depiction of how it would effect the entire FFEL program. Still, a closer inspection shows that an auction system in the entire FFEL program would likely result in huge market consolidations, fewer loan providers, fewer benefits for borrowers, and limited savings for taxpayers that would likely diminish over time. A more sound and realistic approach would be to work with loan providers, stakeholders, and other non-partisan analysts to adjust subsidization levels on a more frequent and independent basis than has been done in the past.

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