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ABSTRACT

Provisions in the Higher Education Amendments of 1986 (Public Law 99-498), which require guaranty agencies and lenders to report information on Stafford student loan program borrowers to credit bureaus, are examined. The purpose of these provisions is to promote greater borrower responsibility and repayment of student loans. The report addresses how 38 guaranty agencies and 18 lenders implemented these provisions, and analyzes the effect on students according to whether they repay or do not repay their loans. It was found that all guaranty agencies had agreements with and/or reported to at least one of the six national credit bureaus, although only three agencies had entered into agreements with all six bureaus. All lenders reported to at least one bureau. The majority of respondents believed that credit bureau reporting has had a positive effect on reducing the number of defaults. Nearly all guaranty agencies, as well as a majority of lenders, believed that borrowers who defaulted would be hindered by the credit bureau provisions when attempting to obtain other consumer credit. Most guaranty agencies and lenders were opposed to a change that would require deleting a bad credit rating if a delinquent account was subsequently made current or was paid in full after defaulting. The results are summarized in 11 figures. Summaries of the surveys are included in the appendixes. (JDD)

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Human Resources Division

B-238707

April 9, 1990

The Honorable Claiborne Pell  
Chairman, Subcommittee on Education,  
Arts, and the Humanities  
Committee on Labor and Human  
Resources  
United States Senate

Dear Mr. Chairman:

This report responds to your request for information on the implementation of provisions in the Higher Education Amendments of 1986 (P.L. 99-498), which require guaranty agencies and lenders to report information on Stafford student loan program borrowers to credit bureaus.<sup>1</sup> The purpose of these provisions is to promote greater borrower responsibility and repayment of student loans, thus helping to reduce growing loan default costs. In particular, you wanted information on how guaranty agencies and lenders implemented these provisions, as well as their effect on students according to whether they repay or do not repay their loans.

On December 13, 1989, we briefed your office on the results of our analysis. This report summarizes and elaborates on the information provided at that meeting. (See app. I.)

## Background

Credit bureau reporting on borrowers by guaranty agencies and lenders first was required by Title XVI of the Student Financial Assistance Amendments of 1985 (P.L. 99-272). The act subsequently was modified by the 1986 amendments and the Higher Education Technical Amendments of 1987 (P.L. 100-50). Each guaranty agency, eligible lender, or other holder must enter into agreements with credit bureaus to exchange information about student loan borrowers. Such agreements are to provide that for each borrower, the loan holder should report with respect to any loan that has not been repaid by the borrower the following:

1. The total amount of loans made to the borrower and the outstanding balance.

<sup>1</sup>Guaranty agencies act as a "middlemen" between the Department of Education and the lenders. As such, they insure the loans made by the lenders to students.

2. For borrowers who default, the date of default and information concerning collection of the loan, such as the borrower's repayment status on the defaulted loan.

3. The date a loan is cancelled either through payment by the borrower or payment of a default claim by the Secretary of Education.

A lender is responsible for periodically reporting such information for both borrowers who are making payments as agreed and those who are delinquent in their payments. The guaranty agency reports similar credit information when borrowers default and the agency reimburses the lender's default claim.

The Department of Education requires guaranty agencies to report to six nationwide credit bureaus.<sup>2</sup> Lenders must report to at least one credit bureau, either a local bureau or one of the national bureaus identified for guaranty agency reporting.

## Objectives, Scope, and Methodology

As discussed with your office, we agreed to develop information on the degree of compliance by guaranty agencies and lenders with the reporting provisions of P.L. 99-498. In addition, we agreed to obtain the opinions of guaranty agency and lender representatives on (1) the effectiveness of the credit bureau reporting requirements in preventing defaults; (2) the impact credit reporting is having on the availability of other kinds of consumer credit for student loan borrowers; and (3) improvements that could be made to existing legislative, regulatory, or other Department of Education requirements.

We developed two questionnaires to obtain the needed information—one each for the guaranty agencies and lenders. We had a 100-percent response rate for all guaranty agencies, and 18 of the 19 judgmentally selected lenders responded. The lenders' responses cannot be considered representative of all Stafford loan lenders, particularly small holders of student loans. (Summaries of the agencies' and lenders' responses to each question, including more detail on our methodology, are contained in apps. II and III, respectively.)

<sup>2</sup>In December 1986, the Department had identified as national credit bureaus: Associated Credit Bureaus, Inc.; Associated Credit Services; Chilton Corporation; The Credit Bureau, Inc., of Georgia; TRW Credit Data; and Trans Union Corporation.

## Degree of Compliance by Guaranty Agencies and Lenders

All guaranty agencies had agreements with and/or reported to at least one of the six national bureaus, although only three agencies had entered into agreements with all six bureaus. All lenders had reported to at least one bureau. The most prevalent reason cited by the agencies for not reporting to all six bureaus was confusion over whether the six national credit bureaus identified by the Department were all actually credit bureaus and whether they constituted six separate organizations.

## Possible Effect on Preventing Defaults

The majority of guaranty agencies and lenders believed that credit bureau reporting has had a positive effect on reducing the number of defaults. (See table 1.)

**Table 1: What Has Been the Effect on Reducing Defaults?**

Figures are percentages

Effect	Guaranty agency	Lender
Little or no	13.1	5.6
Some or moderate	42.2	66.6
Great or very great	23.6	11.1
No basis to judge	21.1	16.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>

## Impact on Borrowers' Ability to Obtain Other Consumer Credit

The credit bureau reporting requirements were intended to help build a positive credit history for student loan borrowers who repaid their loans on time. Conversely, these requirements also would negatively affect student borrowers who were delinquent or had defaulted on their loans. Nearly all guaranty agencies believed that borrowers who defaulted would be hindered by the credit bureau provisions when attempting to obtain other consumer credit (see table 2). However, the majority of the agencies said they had no basis to judge the impact the provisions were having on borrowers who were delinquent or borrowers who were making payments on time.

A majority of lenders believed that the provisions hindered delinquent borrowers or those who defaulted on their loans, while helping borrowers who pay on time.

**Table 2: What Has Been the Impact on Obtaining Other Consumer Credit?**

Figures are percentages

Impact on	Guaranty agency	Lender
<b>Borrowers who have defaulted:</b>		
No effect	2.6	0.0
Hindered somewhat	31.5	0.0
Hindered greatly	58.0	66.7
No basis to judge	7.9	33.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
<b>Borrowers who have been delinquent:</b>		
Helped greatly	2.6	0.0
No effect	2.6	0.0
Hindered somewhat	36.8	66.7
Hindered greatly	2.6	0.0
No basis to judge	55.4	33.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>
<b>Borrowers who pay on time:</b>		
Helped greatly	5.3	16.7
Helped somewhat	23.7	38.9
No effect	5.3	0.0
No basis to judge	65.7	44.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>

## Possible Changes to Existing Credit Bureau Reporting Requirements

We asked the guaranty agencies and lenders for their opinions on potential changes to existing legislative, regulatory, or departmental guidance. Most guaranty agencies and lenders were opposed to a change that would require deleting a bad credit rating if a delinquent account was subsequently made current or was paid in full after defaulting (see table 3). However, the majority of guaranty agencies and half of the lenders believed that the credit bureau provisions should be changed to allow deleting a bad credit rating at the option of the agency or lender. The agencies' and lenders' responses to our questions regarding possible changes are shown on pages 37-38 and 48-49.

**Table 3: What Changes Could Be Made to Current Requirements?**

Figures are percentages

Possible change	Guaranty agency		Lender	
	Yes	No	Yes	No
A bad credit rating should be deleted if the loan is paid up	16.7	83.3	11.1	88.9
The agency/lender should have the option of deleting a bad rating	68.4	31.6	50.0	50.0

The guaranty agencies also said they would like to have fewer national credit bureaus to report to.

## Other Key Results

The guaranty agencies and lenders provided us with additional information on their credit bureau reporting practices. For example:

- Most agencies report new defaulters to bureaus at least monthly (97.3 percent) and update records of previously reported defaulters at least monthly (83.8 percent).
- Most agencies believe that credit bureau reporting has had at least some effect on improving their postdefault collections (94.8 percent).
- All the lenders (1) report all new borrowers monthly and (2) update their records monthly.
- Most lenders update borrower records to show delinquencies within 90 days (77.8 percent).

As requested by your office, we did not obtain written comments on this report from the Department of Education or other interested parties. However, we did discuss its contents with officials from the Department and incorporated their views where appropriate.

We are sending copies of this report to other congressional committees, the Department of Education, and other interested parties. Should you wish to discuss its contents, please call me on (202) 275-1793. Major contributors to the report are listed in appendix IV.

Sincerely yours,



Franklin Frazier  
Director, Education  
and Employment Issues

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## Abbreviations

ACB	Associated Credit Bureaus, Inc.
ACS	Associated Credit Bureaus
CBI	The Credit Bureau, Inc. of Georgia
GAO	General Accounting Office
TRU	Trans Union Corporation
TRW	TRW Credit Data

# Guaranteed Student Loans: Credit Bureau Reporting Practices by Guaranty Agencies and Lenders

Figure I.1:

GAO Guaranteed Student Loans

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**Credit Bureau Reporting Practices by Guaranty Agencies and Lenders**

Figure I.2:

## GAO Background

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- Law requires agencies and lenders to report borrower data to credit bureaus
- Purpose is to foster borrower responsibility; reduce defaults
- Education required agencies to report to six national bureaus, and lenders must report to one bureau (can be local or national)

Figure I.3:

## GAO Objectives

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### **Agreed to develop data on:**

- Compliance with P.L. 99-498
- Guaranty agency and lender opinions on the
  - effectiveness in preventing defaults
  - impact on obtaining other consumer credit, and
  - possible changes to program provisions

Figure I.4:

## GAO Scope

---

### Agreed to obtain data from:

- All guaranty agencies
  - 38 report on behalf of the total 56 agencies
- Judgmental sample of 19 lenders
  - Includes 6 of the top 10 loan holders

Figure I.5:

## GAO Methodology

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- Developed two questionnaires
  - One for guaranty agencies
  - One for lenders
- All 38 agencies responded
- 18 of 19 lenders responded

Figure I.6:

## GAO Results: Compliance with Provisions

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- All agencies and lenders report to at least one bureau
- But only 3 agencies reported to all national bureaus
  - Main reason for not reporting was uncertainty on which were national bureaus
- More credit bureaus are getting information because of the new requirements

Figure I.7:

**GAO Results: Effectiveness in Reducing Defaults**

**Effect on reducing defaults**

Effect	Agencies (percent)	Lenders (percent)
Little or none	13.1	5.6
Some	21.1	38.9
Moderate	21.1	27.7
Great	18.4	11.1
Very great	5.2	0.0
No basis to judge	21.1	16.7

Figure I.8:

**GAO Results: Impact on Obtaining  
 Other Consumer Credit**

**Impact on delinquent borrowers**

Impact	Agencies (percent)	Lenders (percent)
Helped greatly	2.6	0.0
Neither helped nor hindered	2.6	0.0
Hindered somewhat	36.8	66.7
Hindered greatly	2.6	0.0
No basis to judge	55.4	33.3

Figure I.8 Continued:

**GAO Results: Impact on Obtaining  
 Other Consumer Credit**

**Impact on defaulted borrowers**

Impact	Agencies (percent)	Lenders (percent)
Neither helped nor hindered	2.6	0.0
Hindered somewhat	31.5	0.0
Hindered greatly	58.0	66.7
No basis to judge	7.9	33.3

Figure I.8 Continued:

**GAO Results: Impact on Obtaining  
 Other Consumer Credit**

**Impact on borrowers who  
 were never delinquent nor  
 in default**

Impact	Agencies (percent)	Lenders (percent)
Helped greatly	5.3	16.7
Helped somewhat	23.7	38.9
Neither helped nor hindered	5.3	0.0
No basis to judge	65.7	44.4

Figure I.9:

**GAO Results: Possible Changes to  
Current Provisions**

---

**Both guaranty agencies and  
lenders**

- Opposed a change to require deleting a bad credit rating if the debt was made current
- Were more favorable to allow deleting bad credit ratings at their option

Figure I.10:

## GAO Guaranty Agencies: Other Key Results

**Most report defaulters within 45 days after lender is paid**

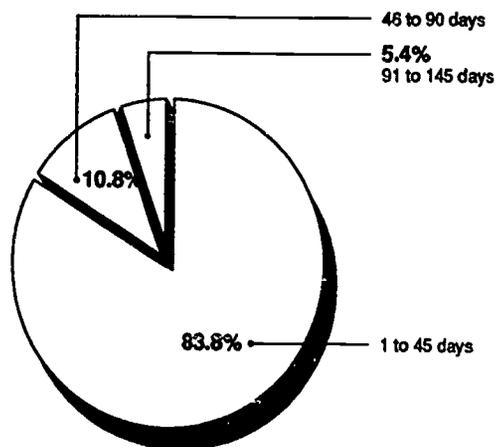


Figure I.10 Continued:

## GAO Guaranty Agencies: Other Key Results

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- Most agencies (83.3 percent) report all new defaulters
- Primary reason for those not reporting all defaulters was that they began repaying before the reporting occurred

Figure I.10 Continued:

## GAO Guaranty Agencies: Other Key Results

---

- Most report new defaulters to bureaus at least monthly (97.3 percent)
- Most update records submitted to bureaus at least monthly (83.8 percent)

Figure I.10 Continued:

**GAO Guaranty Agencies: Other Key Results**

---

**Most believe the credit bureau reporting provisions improved postdefault collections**

<b>Effect</b>	<b>Percent</b>
Little/no	2.6
Some	18.4
Moderate	28.9
Great	31.7
Very great	15.8
No basis to judge	2.6

Figure I.11:

## GAO Lenders: Other Key Results

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### All 18 lenders:

- Report all new borrowers
- Report their new borrowers monthly
- Update borrower records monthly

Figure I.11 Continued:

## GAO Lenders: Other Key Results

---

### **For the 17 lenders originating student loans**

- 64.7 percent report the borrowers to credit bureaus within 30 days of disbursement
- All report borrowers within 60 days

Figure I.11 Continued:

## GAO Lenders: Other Key Results

---

### **For the 13 lenders who sell student loans**

- All notify borrowers of sales
  - All borrowers are notified within 30 days
- 84.6 percent notify credit bureaus of loan sales
  - 81.8 percent notify bureaus within 30 days
  - All bureaus are notified within 60 days

Figure I.11 Continued:

## GAO Lenders: Other Key Results

---

### **For the 13 lenders who purchase student loans**

- 92.3 percent notify borrowers of loan purchases
  - All borrowers are notified within 30 days
- All lenders notify credit bureaus of loan purchases
  - 76.9 percent notify the bureaus within 30 days
  - All are notified by 60 days

Figure I.11 Continued:

## GAO Lenders: Other Key Results

---

**Most lenders update borrower records to show delinquencies within 90 days**

Days	Percent
16 to 30	22.2
31 to 45	33.3
46 to 60	5.6
61 to 75	5.6
76 to 90	11.1
Over 90	22.2

Figure I.11 Continued:

**GAO Lenders: Other Key Results**

---

**Opinions vary on whether  
credit bureau reporting  
helps prevent delinquencies**

<b>Effect</b>	<b>Percent</b>
Little/no	5.6
Some	38.9
Moderate	27.7
Great	11.1
No basis to judge	16.7

# Summary of Responses to GAO Survey of Guaranty Agencies

We sent a questionnaire to all the guaranty agencies (38 organizations reported on behalf of the 56 agencies existing at the time of our survey) and received responses from all. The questions were developed primarily from our review of the legislation and Department of Education regulations and policy guidance given to the agencies and lenders.

Information collected included the number and names of credit bureaus to which the respondents were reporting, the frequency of reporting, the number of borrowers reported, and whether the respondents disclosed credit information to eligible schools. Percentages shown are "valid" in that they correspond to the number of agencies responding to the specific question. In some cases, questions have been paraphrased for clarity and conciseness.

## 1. What date do you regard as the effective date for fulfilling the credit bureau reporting requirements? (34 agencies cited specific dates, and 4 noted they were unable to answer this question.)

Effective date	No.	Percent
07/00/86	1	2.9
07/01/86	1	2.9
07/05/86	1	2.9
07/06/86	3	8.9
08/01/86	1	2.9
10/17/86	4	11.9
11/10/86	1	2.9
11/16/86	2	6.0
12/00/86	3	8.9
12/25/86	1	2.9
12/26/86	3	8.9
03/00/87	1	2.9
03/10/87	6	17.7
06/30/87	1	2.9
07/01/87	1	2.9
10/01/87	1	2.9
11/04/87	1	2.9
12/26/87	1	2.9
01/01/88	1	2.9
<b>Totals</b>	<b>34</b>	<b>100.0</b>

**Appendix II**  
**Summary of Responses to GAO Survey of**  
**Guaranty Agencies**

**2. Are you currently reporting to the following national credit bureaus? (38 agencies responded.)**

<b>Credit bureau</b>	<b>No.</b>	<b>Percent</b>
Associated Credit Bureau (ACB)	9	23.7
Associated Credit Services (ACS)	14	36.8
Chilton (CHI)	25	65.8
Credit Bureau, Inc., of Georgia (CBI)	30	78.9
Trans Union (TRU)	26	68.4
TRW Credit Data (TRW)	28	73.7

**3. Did you report to the following national credit bureaus before the legislative requirement? (38 agencies responded in one or more categories.)**

(1) ACB (9 agencies responded.)

	<b>No.</b>	<b>Percent</b>
Yes	4	44.4
No	5	55.6
<b>Totals</b>	<b>9</b>	<b>100.0</b>

(2) ACS (14 agencies responded.)

	<b>No.</b>	<b>Percent</b>
Yes	5	35.7
No	9	64.3
<b>Totals</b>	<b>14</b>	<b>100.0</b>

(3) CHI (25 agencies responded.)

	<b>No.</b>	<b>Percent</b>
Yes	12	48.0
No	13	52.0
<b>Totals</b>	<b>25</b>	<b>100.0</b>

(4) CBI (30 agencies responded.)

	<b>No.</b>	<b>Percent</b>
Yes	14	46.7
No	16	53.3
<b>Totals</b>	<b>30</b>	<b>100.0</b>

**Appendix II**  
**Summary of Responses to GAO Survey of**  
**Guaranty Agencies**

(5) TRU (26 agencies responded.)

	No.	Percent
Yes	15	57.7
No	11	42.3
<b>Totals</b>	<b>26</b>	<b>100.0</b>

(6) TRW (28 agencies responded.)

	No.	Percent
Yes	17	60.7
No	11	39.3
<b>Totals</b>	<b>28</b>	<b>100.0</b>

**4. How many of the six national credit bureaus are you reporting to? (As of the date survey was completed.)**

	No.	Percent
All six	3	7.9
Some, but not all	34	89.5
None	1	2.6
<b>Totals</b>	<b>38</b>	<b>100.0</b>

**5. For what reason(s) are you not reporting to one or more of the six national credit bureaus? (35 agencies responded.)**

Reason	No.	Percent
Bureau unable to handle	5	14.3
Bureau required automated data	4	11.4
Problems with computer interface	5	14.3
Record layouts differed	3	8.6
Discussions have delayed reporting	5	14.3
Other	25	71.4

**6. Were your submissions to the credit bureau(s) as of September 30, 1988, in machine-readable form? (37 agencies responded.)**

	No.	Percent
Yes	27	73.0
No	10	27.0
<b>Totals</b>	<b>37</b>	<b>100.0</b>

Appendix II  
 Summary of Responses to GAO Survey of  
 Guaranty Agencies

7. As of September 30, 1988, how many defaulters in your portfolio were being reported to a credit bureau(s)? (34 agencies responded.)

Defaulters	No.	Percent
1,000-4,999	5	14.7
5,000-9,999	6	17.6
10,000-19,999	6	17.6
20,000-49,999	6	17.6
50,000-99,999	5	14.7
100,000-199,999	2	5.9
200,000-299,999	2	5.9
300,000-399,999	2	5.9
<b>Totals</b>	<b>34</b>	<b>99.9</b>

Note: Numbers do not add due to rounding.

8. How soon after paying the lender's claim do you report the defaulter to each credit bureau? (37 agencies responded.)

No. of days	No.	Percent
1 to 45	31	83.8
46 to 90	4	10.8
91 to 145	2	5.4
<b>Totals</b>	<b>37</b>	<b>100.0</b>

9. Do you report borrowers who defaulted (1) both before and after the credit bureau requirements or (2) only after the requirements became effective? (37 agencies responded.)

When reported	No.	Percent
Both before and after	36	97.3
Only after	1	2.7
<b>Totals</b>	<b>37</b>	<b>100.0</b>

**Appendix II  
Summary of Responses to GAO Survey of  
Guaranty Agencies**

**10. Do you report your entire portfolio of defaulters regardless of the claim paid date; i.e., "full file" reporting? (36 agencies responded.)**

	No.	Percent
Yes	28	77.8
No	8	22.2
<b>Totals</b>	<b>36</b>	<b>100.0</b>

**11. How old is the oldest claim in your portfolio that you do report? (8 agencies responded.)**

Years	No.	Percent
1	1	12.5
3	1	12.5
4	1	12.5
5	1	12.5
6	1	12.5
8	1	12.5
10	2	25.0
<b>Totals</b>	<b>8</b>	<b>100.0</b>

**12. How often do you report new defaulters to each bureau? (37 agencies responded.)**

Frequency of reporting	No.	Percent
Weekly	3	8.1
Semimonthly	2	5.4
Monthly	31	83.8
Other	1	2.7
<b>Totals</b>	<b>37</b>	<b>100.0</b>

**13. How often do you update credit bureau records of those defaulters you have previously reported? (37 agencies responded.)**

Frequency of reporting	No.	No. Percent
Weekly	1	2.7
Monthly	30	81.1
Other	6	16.2
<b>Totals</b>	<b>37</b>	<b>100.0</b>

**14. Do you report all new defaulters to a credit bureau(s)? (37 agencies responded.)**

	No.	Percent
Yes	31	83.8
No	6	16.2
<b>Totals</b>	<b>37</b>	<b>100.0</b>

**15. About what percent of new defaulters do you generally report to a credit bureau(s) each time you report? (6 agencies responded.)**

Percent of new defaulters	No.	Percent
25	1	16.7
71	1	16.7
75	1	16.7
80	1	16.7
85	1	16.7
90	1	16.7
<b>Totals</b>	<b>6</b>	<b>100.2</b>

Note: Numbers do not add due to rounding.

**Appendix II  
Summary of Responses to GAO Survey of  
Guaranty Agencies**

**16. For what reasons have you not reported all new defaulters?  
(6 agencies responded in one or more categories.)**

<b>Reason</b>	<b>No.</b>	<b>Percent</b>
Reporting is used as a bargaining tool to obtain repayment	2	33.3
Repayment occurs before reporting is done	5	83.3
Too costly to report all	2	33.3
Computer system precludes reporting all	3	50.0
Other	3	50.0

**17. Do you disclose credit information to eligible schools concerning defaulted borrowers who attend or have previously attended that school?**

	<b>No.</b>	<b>Percent</b>
Yes	34	89.5
No	4	10.5
<b>Totals</b>	<b>38</b>	<b>100.0</b>

**18. What types of information do you report to these schools?  
(34 agencies responded.)**

<b>Data reported</b>	<b>No.</b>	<b>Percent</b>
Loan total and balance	17	50.0
Default and repayment data	17	50.0
Cancellation date upon repayment	20	58.8
Date of payment by Education	13	38.2
Other	17	50.0

**19. Do you routinely provide this credit information to any of your schools? (34 agencies responded.)**

	<b>No.</b>	<b>Percent</b>
Yes	24	70.6
No	10	29.4
<b>Totals</b>	<b>34</b>	<b>100.0</b>

**Appendix II  
Summary of Responses to GAO Survey of  
Guaranty Agencies**

**20. To about what percent of your schools do you routinely provide credit information? (24 agencies responded.)**

<b>Percent of schools</b>	<b>No.</b>	<b>Percent</b>
Less than 25	2	8.3
26 to 75	0	0.0
76 to 99	2	8.3
100	20	83.4
<b>Totals</b>	<b>24</b>	<b>100.0</b>

**21. What effect do you believe the credit bureau reporting requirements have had on preventing defaults on the loans you have guaranteed?**

<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Little or no	5	13.1
Some	8	21.1
Moderate	8	21.1
Great	7	18.4
Very great	2	5.2
No basis to judge	8	21.1
<b>Totals</b>	<b>38</b>	<b>100.0</b>

**22. What effect do you believe the credit bureau reporting requirements have had on improving your postdefault collection efforts?**

<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Little or no	1	2.6
Some	7	18.4
Moderate	11	28.9
Great	12	31.7
Very great	6	15.8
No basis to judge	1	2.6
<b>Totals</b>	<b>38</b>	<b>100.0</b>

**23. What has been the effect on the ability of the following kinds of student borrowers to obtain additional consumer credit as a result of the credit bureau reporting requirements?**

(1) On students who have been delinquent but have not defaulted

Effect	No.	Percent
Helped greatly	1	2.6
Neither helped nor hindered	1	2.6
Hindered somewhat	14	36.8
Hindered greatly	1	2.6
No basis to judge	21	55.4
<b>Totals</b>	<b>38</b>	<b>100.0</b>

(2) On student borrowers who have defaulted

Effect	No.	Percent
Neither helped nor hindered	1	2.6
Hindered somewhat	12	31.5
Hindered greatly	22	58.0
No basis to judge	3	7.9
<b>Totals</b>	<b>38</b>	<b>100.0</b>

(3) On student borrowers who have neither been delinquent nor defaulted

Effect	No.	Percent
Helped greatly	2	5.3
Helped somewhat	9	23.7
Neither helped nor hindered	2	5.3
No basis to judge	25	65.7
<b>Totals</b>	<b>38</b>	<b>100.0</b>

**24. Indicate whether you believe the following changes should be made to the existing credit bureau reporting requirements.**

(1) Reduce the number of national credit bureaus to which agencies must report?  
 (37 agencies responded.)

	No.	Percent
Yes	23	62.2
No	14	37.8
<b>Totals</b>	<b>37</b>	<b>100.0</b>

**Appendix II**  
**Summary of Responses to GAO Survey of**  
**Guaranty Agencies**

(2) Add the requirement to report to one or more local credit bureaus?

	No.	Percent
Yes	6	15.8
No	32	84.2
<b>Totals</b>	<b>36</b>	<b>100.0</b>

(3) Require reporting only if a defaulter fails to enter repayment quickly? (37 agencies responded.)

	No.	Percent
Yes	9	24.3
No	28	75.7
<b>Totals</b>	<b>37</b>	<b>100.0</b>

(4) Require deleting the bad credit rating if the account is subsequently paid in full? (36 agencies responded.)

	No.	Percent
Yes	6	16.7
No	30	83.3
<b>Totals</b>	<b>36</b>	<b>100.0</b>

(5) Allow deleting a bad credit rating at the option of the guaranty agency if the account is subsequently paid in full?

	No.	Percent
Yes	26	68.4
No	12	31.6
<b>Totals</b>	<b>38</b>	<b>100.0</b>

(6) Other?

	No.	Percent
Yes	4	10.5
No	34	89.5
<b>Totals</b>	<b>38</b>	<b>100.0</b>

Note. In general, the "other" changes suggested referred to standardizing reporting formats among the credit bureaus or judgmentally deleting a bad credit rating at the borrower's request.

# Summary of Responses to GAO Survey of Lending Institutions

For the lender questionnaire information, we agreed to judgmentally select a sample of 19 lenders, 18 of which responded. The respondents included 6 of the 10 largest holders of student loans, 1 of which is the Student Loan Marketing Association, the largest holder of Stafford loans.

The questions were developed primarily from our review of the legislation and Department of Education regulations and policy guidance given to the agencies and lenders. The information collected included the number and names of credit bureaus to which the respondents were reporting, the frequency of reporting, the number of borrowers reported, and whether the respondents disclosed credit information to eligible schools. All percentages shown are "valid" in that they correspond to the number of institutions responding to each question. In some cases, questions have been paraphrased for clarity and conciseness.

## 1. Are you reporting to at least one credit bureau?

	No.	Percent
Yes	18	100.0

## 2. How many credit bureaus do you report to?

No. of credit bureaus	No.	Percent
1	2	11.1
2	2	11.1
3	6	33.3
4	4	22.2
5	3	16.7
6	1	5.6
<b>Totals</b>	<b>18</b>	<b>100.0</b>

## 3. Identify reasons for not reporting borrower information to credit bureaus.

Note: None of the respondents answered this question because it was skipped if the respondent was reporting to at least one credit bureau.

Appendix III  
 Summary of Responses to GAO Survey of  
 Lending Institutions

4. What date do you regard as the effective date of the credit bureau reporting requirements?

Effective date	No.	Percent
04/07/86	1	5.6
09/01/86	1	5.6
10/01/86	1	5.6
10/03/86	1	5.6
10/06/86	1	5.6
10/17/86	3	16.7
11/00/86	1	5.6
12/01/86	2	11.1
01/01/87	1	5.6
03/10/87	1	5.6
07/01/87	3	16.7
10/01/87	1	5.6
<b>Totals</b>	<b>18</b>	<b>100.0</b>

5. Identify the number of credit bureaus you reported borrower information to before and after the requirements. (18 lenders responded.)

When reported	Number of bureaus lenders reported to
Before requirements	34
After requirements (additional)	27
<b>Totals</b>	<b>61</b>

6. Do you originate student loans?

	No.	Percent
Yes	17	94.4
No	1	5.6
<b>Total</b>	<b>18</b>	<b>100.0</b>

**Appendix III  
Summary of Responses to GAO Survey of  
Lending Institutions**

**7. How soon after disbursement do you report borrowers to each credit bureau? (17 lenders responded.)**

<b>No. of days</b>	<b>No.</b>	<b>Percent</b>
1 to 15	1	5.9
16 to 30	10	58.8
31 to 45	5	29.4
46 to 60	1	5.9
<b>Totals</b>	<b>17</b>	<b>100.0</b>

**8. Do you sell student loans to other institutions? (17 lenders responded.)**

	<b>No.</b>	<b>Percent</b>
Yes	13	76.5
No	4	23.5
<b>Totals</b>	<b>17</b>	<b>100.0</b>

**9. Do you notify the borrower of the sale? (13 lenders responded.)**

	<b>No.</b>	<b>Percent</b>
Yes	13	100.0

**10. How soon after the sale do you notify the borrower? (13 lenders responded.)**

<b>No. of days</b>	<b>No.</b>	<b>Percent</b>
1 to 15	11	84.6
16 to 30	2	15.4
<b>Totals</b>	<b>13</b>	<b>100.0</b>

Appendix III  
 Summary of Responses to GAO Survey of  
 Lending Institutions

**11. Do you notify the credit bureau(s) of the sale? (13 lenders responded.)**

	No.	Percent
Yes	11	84.6
No	2	15.4
<b>Totals</b>	<b>13</b>	<b>100.0</b>

**12. How soon after the sale do you notify the credit bureau(s)? (11 lenders responded.)**

No. of days	No.	Percent
16 to 30	9	81.8
31 to 45	1	9.1
46 to 60	1	9.1
<b>Totals</b>	<b>11</b>	<b>100.0</b>

**13. Do you purchase student loans from other institutions?**

	No.	Percent
Yes	13	72.2
No	5	27.8
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**14. Do you notify the borrower of the purchase? (13 lenders responded.)**

	No.	Percent
Yes	12	92.3
No	1	7.7
<b>Totals</b>	<b>13</b>	<b>100.0</b>

**Appendix III**  
**Summary of Responses to GAO Survey of**  
**Lending Institutions**

**15. How soon do you report the purchase to borrowers? (12 lenders responded.)**

<b>No. of days</b>	<b>No.</b>	<b>Percent</b>
1 to 15	9	75.0
16 to 30	3	25.0
<b>Totals</b>	<b>12</b>	<b>100.0</b>

**16. Do you notify credit bureaus of the new account? (13 lenders responded.)**

	<b>No.</b>	<b>Percent</b>
Yes	13	100.0

**17. How soon do you report the purchase to credit bureaus? (13 lenders responded.)**

<b>No. of days</b>	<b>No.</b>	<b>Percent</b>
16 to 30	10	76.9
31 to 45	1	7.7
46 to 60	2	15.4
<b>Totals</b>	<b>13</b>	<b>100.0</b>

**18. Do you update the borrower's record with the credit bureau to show a delinquency?**

	<b>No.</b>	<b>Percent</b>
Yes	18	100.0

**19. How many days delinquent must a borrower be before you report the delinquency to the credit bureau?**

No. of days	No.	Percent
16 to 30	4	22.2
31 to 45	6	33.3
46 to 60	1	5.6
61 to 75	1	5.6
76 to 90	2	11.1
Over 90	4	22.2
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**20. Did you report borrowers whose loans were originated/ purchased (a) both before and after the credit bureau requirements became effective or (b) only after the credit bureau requirements became effective?**

	No.	Percent
Both before and after	17	94.4
Only after	1	5.6
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**21. Do you report your entire portfolio of borrowers, regardless of the age of the loans; i.e., "full-file" reporting? (17 lenders responded.)**

	No.	Percent
Yes	17	100.0

**Appendix III  
Summary of Responses to GAO Survey of  
Lending Institutions**

**22. How old is the oldest loan in your portfolio?**

Note: None of the lenders answered this question because it was to be skipped if the respondent answered "yes" to question 21.

**23. How often do you report new accounts to each credit bureau?**

	No.	Percent
Monthly	18	100.0

**24. How often do you update records of borrowers you have previously reported?**

	No.	Percent
Monthly	18	100.0

**25. As of September 30, 1988, how many borrowers were in your portfolio? (17 lenders responded.)**

No. of borrowers	No.	Percent
1-9,999	1	5.9
10,000-49,999	5	29.4
50,000-99,999	4	23.5
100,000-299,999	3	17.6
300,000-499,999	1	5.9
500,000-1 million	2	11.8
Over 1 million	1	5.9
<b>Totals</b>	<b>17</b>	<b>100.0</b>

**26. Do you report all new accounts to the credit bureau(s)?**

	No.	Percent
Yes	18	100.0

**27. What percent of new accounts do you report to the credit bureaus each time you report?**

Note: None of the lenders answered this question because it was to be skipped by those who answered "yes" to question 26.

**28. What are the reasons you have not reported all new borrowers?**

Note: None of the lenders answered this question because it was to be skipped by those who answered "yes" to question 26.

**29. Do you disclose credit information to eligible schools concerning delinquent borrowers either currently or previously attending the school?**

	No.	Percent
Yes	4	22.2
No	14	77.8
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**30. What kinds of information do you disclose to the schools? (4 lenders responded.)**

Data reported	No.	Percent
Loan total and balance	3	75.0
Delinquency and repayment data	4	100.0
Default and repayment data	3	75.0
Cancellation date upon repayment	3	75.0
Date of payment by Education	3	75.0
Other	1	25.0

Appendix III  
 Summary of Responses to GAO Survey of  
 Lending Institutions

**31. Do you routinely provide any of this credit information to any of your schools? (4 lenders responded.)**

	No.	Percent
Yes	1	25.0
No	3	75.0
<b>Totals</b>	<b>4</b>	<b>100.0</b>

**32. To about what percent of your schools do you provide credit information? (1 lender responded.)**

	No.	Percent
100 percent	1	100.0

**33. What has been the effect of credit bureau reporting on preventing delinquencies on the loans you hold?**

Effect	No.	Percent
Little or no	1	5.6
Some	7	38.9
Moderate	5	27.7
Great	2	11.1
No basis to judge	3	16.7
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**34. What has been the effect of credit bureau reporting on preventing defaults on the loans you hold?**

Effect	No.	Percent
Little or no	1	5.6
Some	7	38.9
Moderate	5	27.7
Great	2	11.1
No basis to judge	3	16.7
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**35. What has been the effect on the ability of the following kinds of student-borrowers to obtain additional consumer credit as a result of the credit bureau reporting requirements?**

<b>(1) On borrowers who have been delinquent, but have not defaulted</b>		
<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Hindered somewhat	12	66.7
No basis to judge	6	33.3
<b>Totals</b>	<b>18</b>	<b>100.0</b>
<b>(2) On borrowers who have defaulted</b>		
<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Hindered greatly	12	66.7
No basis to judge	6	33.3
<b>Totals</b>	<b>18</b>	<b>100.0</b>
<b>(3) On borrowers who have neither been delinquent nor defaulted</b>		
<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Helped greatly	3	16.7
Helped somewhat	7	38.9
No basis to judge	8	44.4
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**36. Indicate whether you believe the following changes should be made to the credit bureau reporting requirements.**

<b>(1) Increase the number of credit bureaus to which lenders must report?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	2	11.1
No	16	88.9
<b>Totals</b>	<b>18</b>	<b>100.0</b>
<b>(2) Require lenders to report to at least one national credit bureau?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	16	88.9
No	2	11.1
<b>Totals</b>	<b>18</b>	<b>100.0</b>
<b>(3) Require reporting only if the borrower becomes delinquent?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	4	22.2
No	14	77.8
<b>Totals</b>	<b>18</b>	<b>100.0</b>

**Appendix III  
Summary of Responses to GAO Survey of  
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<b>(4) Require deleting the bad credit rating if the account is subsequently made current?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	2	11.1
No	16	88.9
<b>Totals</b>	<b>18</b>	<b>100.0</b>

<b>(5) Allow deleting the bad credit rating at the lender's option if the account is subsequently made current?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	9	50.0
No	9	50.0
<b>Totals</b>	<b>18</b>	<b>100.0</b>

<b>(6) Other?</b>		
	<b>No.</b>	<b>Percent</b>
Yes	1	5.6
No	17	94.4
<b>Totals</b>	<b>18</b>	<b>100.0</b>

Note: The lender that responded "yes" to the "other" question suggested a change to standardize credit bureau reporting formats.

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Supplemental Student Loans: Who Borrows and Who Defaults (GAO/HRD-90-33FS, Oct. 17, 1989).

Guaranteed Student Loans: Analysis of Student Default Rates at 7,800 Postsecondary Schools (GAO/HRD-89-63BR, July 5, 1989).

Defaulted Student Loans: Preliminary Analysis of Student Loan Borrowers and Defaulters (GAO/HRD-88-112BR, June 14, 1988).

GAO's Views on the Default Task Force's Recommendations for Reducing Default Costs in the Guaranteed Student Loan Program (GAO/T-HRD-88-7, Feb. 2, 1988).

Guaranteed Student Loans: Potential Default and Cost Reduction Options (GAO/HRD-88-52BR, Jan. 7, 1988).

Guaranteed Student Loans: Analysis of Insurance Premiums Charged by Guaranty Agencies (GAO/HRD-88-16BR, Oct. 7, 1987).

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Defaulted Student Loans: Guaranty Agencies' Collection Practices and Procedures (GAO/HRD-86-114BR, July 17, 1986).

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