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Educators Focus on 'Pain' of Standards

By JACQUES STEINBERG

Three years ago, when most of the nation's governors and dozens of corporate leaders joined President Clinton at an education summit meeting in Palisades, N.Y., only 14 states had standards outlining what students should know and be able to do.

Now, with the word "standards" a near mantra of politicians and educators — by spring, 49 states will have adopted some form of them in at least some grades and subjects — the delicate and politically charged task of meeting such lofty guidelines is beginning.

Ultimately, millions of students could be held back.

To anticipate such hazards and sustain the momentum generated at the last gathering, the same group is reconvening today and Friday at the same place, an I.B.M. conference center on the New York-New Jersey border.

After listening to an opening talk from President Clinton, the 117 leaders — including 28 governors, 21 state school superintendents and 34 executives — are committed to figuring out what comes next: defining the standards so that they make sense to students and parents; setting aside new funds to retrain teachers; drafting tests that gauge the

students' new knowledge, and standing firm when some students invariably fall short.

How the leaders decide to proceed will ripple across the country in the coming months and years, affecting the academic experiences, and futures, of a generation.

Louis V. Gerstner, the chairman of I.B.M. and the driving force behind both conferences, says the current gathering will focus on what he calls "the pain," which he defines as the sting that teachers, principals and students feel when they realize that they are now being held accountable for their performance and will be disciplined accordingly.

"People are saying, 'Oh my God, these kids are going to fail,' or, 'They're not going to make it, so we need to lower standards because we're going to hurt their esteem,'" Mr. Gerstner said in an interview. "We understand the pain. And we're going to have to deal with it. But we're not going to deal with it by backing off."

But there are already indications that some states are doing just that. In New York, some teachers and principals are saying that although a new high school graduation test is more difficult than previous versions, a lower passing score and lenient grading guidelines make it easier for students to pass.

While standards have been hailed as a means to insure that students in rich and poor schools alike are covering the same high ground, there is hardly unanimity among educators that establishing such goals is the best course for American schools. Among the movement's loudest critics is Alfie Kohn, an author whose most recent book, "The Schools Our Children Deserve" (Houghton Mifflin), laments that standards stunt the creativity and flexibility of the classroom teacher.

"Thank God for Iowa," Mr. Kohn said, of the only state that has declined to write standards, deferring instead to districts and schools. "Because of the sensibility reflected in this conference, whole schools across the country have been transformed into giant test-prep centers, where not much thinking is going on."

Bob Chase, the president of the National Education Association, the nation's largest teachers union, says that his members support the idea that they should be "held accountable for student learning." But he adds that when he addresses the conference participants, he intends to give them a bracing report from the classroom.

"With all due respect," he wrote in a recent essay, "the prevailing mindset among too many politicians is something out of 'Field of Dreams': 'If we set high standards, students will magically achieve.' And they are deluding themselves."

Mindful of such criticism, Mr. Gerstner and Gov. Tommy G.

Thompson of Wisconsin, who are leading the event, have put together a 100-page briefing book of the states' experiences with standards, warts and all. They write, for example, that many states have crammed their standards with so many topics to memorize as to paralyze students, and then have written tests that bear no connection to the standards.

They also lament that although so many states have put standards on the books in the last three years, in no state has a majority of either fourth- or eighth-grade students been judged to be "proficient readers."

In a reference to the pain that Mr. Gerstner has described, the briefing book refers to New York state, among others, where more than half of all fourth graders failed a new English test given last January, a performance that shattered the confidence of even the most elite districts in the state.

Trying to sustain the momentum of new accountability in school.

Not all the news is bleak, though.

The conference attendees, including the leaders of Du Pont, Glaxo Wellcome and Novell, are likely to hear much about Texas, where 76 percent of third graders passed the state's standardized test of academic skills last year, up from 58 percent in 1994. Gov. George W. Bush, who presided over much of that progress, will not be in attendance, citing Presidential campaign commitments.

Gov. James Hunt of North Carolina will be there, though, and he intends to discuss his own success story: a rise in test scores that he has attributed, at least in part, to incentives that raise teachers' salaries by as much as \$1,500 for their schools' good work, and threatens their dismissal if their students lag.

Mr. Gerstner has said he hopes that the participants will depart on Friday by issuing a statement of consensus on the direction the states should head next. Given that the composition of the group is bipartisan, and the egos strong, it is unclear how much they will be able to say, especially with divisive issues like publicly financed vouchers at the top of the agenda of many governors.

Moreover, the predecessor of the 1996 summit meeting, a similar event convened by President George Bush in 1989, ended on a rousing note, with commitments to make American children first in the world in math and science by 2000. It is a goal that, according to standardized tests, is nowhere within reach.

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Fannie Mae Eases Credit To Aid Mortgage Lending

Minority Home Ownership May Increase

By STEVEN A. HOLMES

WASHINGTON, Sept. 29 — In a move that could help increase home ownership rates among minorities and low-income consumers, the Fannie Mae Corporation is easing the credit requirements on loans that it will purchase from banks and other lenders.

The action, which will begin as a pilot program involving 24 banks in 15 markets — including the New York metropolitan region — will encourage those banks to extend home mortgages to individuals whose credit is generally not good enough to qualify for conventional loans. Fannie Mae officials say they hope to make it a nationwide program by next spring.

Fannie Mae, the nation's biggest underwriter of home mortgages, has been under increasing pressure from the Clinton Administration to expand mortgage loans among low and moderate income people and felt pressure from stock holders to maintain its phenomenal growth in profits.

In addition, banks, thrift institutions and mortgage companies have been pressing Fannie Mae to help them make more loans to so-called subprime borrowers. These borrowers whose incomes, credit ratings and savings are not good enough to qualify for conventional loans, can only get loans from finance companies that charge much higher interest rates — anywhere from three to four percentage points higher than conventional loans.

"Fannie Mae has expanded home ownership for millions of families in the 1990's by reducing down payment requirements," said Franklin D. Raines, Fannie Mae's chairman and chief executive officer. "Yet there remain too many borrowers whose credit is just a notch below what our underwriting has required who have been relegated to paying significantly higher mortgage rates in the so-called subprime market."

Demographic information on these borrowers is sketchy. But at least one study indicates that 18 percent of the loans in the subprime market went to black borrowers, compared to 5 per cent of loans in the conventional loan market.

In moving, even tentatively, into this new area of lending, Fannie Mae is taking on significantly more risk, which may not pose any difficulties during flush economic times. But the government-subsidized corporation may run into trouble in an economic downturn, prompting a government rescue similar to that of the savings and loan industry in the 1980's.

"From the perspective of many people, including me, this is another

thrift industry growing up around us," said Peter Wallison a resident fellow at the American Enterprise Institute. "If they fail, the government will have to step up and bail them out the way it stepped up and bailed out the thrift industry."

Under Fannie Mae's pilot program, consumers who qualify can secure a mortgage with an interest rate one percentage point above that of a conventional, 30-year fixed rate mortgage of less than \$240,000 — a rate that currently averages about 7.76 per cent. If the borrower makes his or her monthly payments on time for two years, the one percentage point premium is dropped.

Fannie Mae, the nation's biggest underwriter of home mortgages, does not lend money directly to consumers. Instead, it purchases loans that banks make on what is called the secondary market. By expanding the type of loans that it will buy, Fannie Mae is hoping to spur banks to make more loans to people with less-than-stellar credit ratings.

Fannie Mae officials stress that the new mortgages will be extended to all potential borrowers who can qualify for a mortgage. But they add that the move is intended in part to increase the number of minority and low income home owners who tend to have worse credit ratings than non-Hispanic whites.

Home ownership has, in fact, exploded among minorities during the economic boom of the 1990's. The number of mortgages extended to Hispanic applicants jumped by 87.2 per cent from 1993 to 1998, according to Harvard University's Joint Center for Housing Studies. During that same period the number of African Americans who got mortgages to buy a home increased by 71.9 per cent and the number of Asian Americans by 46.3 per cent.

In contrast, the number of non-Hispanic whites who received loans for homes increased by 31.2 per cent.

Despite these gains, home ownership rates for minorities continue to lag behind non-Hispanic whites, in part because blacks and Hispanics in particular tend to have on average worse credit ratings.

In July, the Department of Housing and Urban Development proposed that by the year 2001, 50 per cent of Fannie Mae's and Freddie Mac's portfolio be made up of loans to low and moderate-income borrowers. Last year, 44 per cent of the loans Fannie Mae purchased were from these groups.

The change in policy also comes at the same time that HUD is investigating allegations of racial discrimination in the automated underwriting systems used by Fannie Mae and Freddie Mac to determine the credit-worthiness of credit applicants.

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