

May 3, 2010

United States Senate  
Washington, DC 20510

Dear Senator:

As advocates for students, young people, consumers, higher education and civil rights, we strongly urge you to ensure that the Restoring American Financial Stability Act (S. 3217) gives the Consumer Financial Protection Bureau (CFPB) full authority over *all* private student loans. We are deeply concerned that the bill as currently drafted may not even give the CFPB enforcement authority over the largest private student lender, Sallie Mae, or over predatory loans made by large for-profit colleges attended disproportionately by low-income and minority students.

Private student loans are one of the riskiest ways to pay for college, yet a significant number of students have private student loans as well as, or instead of, safer federal student loans. Private student loans typically have uncapped, variable rates that are highest for those who can least afford them. They lack the fixed rates, consumer protections and flexible repayment options of federal student loans, and are extremely difficult to discharge in bankruptcy.

Unfortunately, S. 3217 does not currently ensure meaningful oversight of the largest private student lender or the riskiest products. We therefore urge you to amend S. 3217 to ensure that the CFPB has full authority over all private student loans, including that:

- **The CFPB has full enforcement authority over the largest private student lenders.** As S. 3217 is now drafted, the CFPB may not have supervision or enforcement authority over Sallie Mae, the largest private student lender, because it is financing private loans through the Sallie Mae Bank, which has total assets under \$10 billion. Sallie Mae made nearly \$5 billion in private loans in 2008-09.
- **The CFPB has full enforcement authority over predatory loans by schools and other nonbanks.** As S. 3217 is currently drafted, the CFPB would not have full authority over nonbank entities unless they were determined to be “larger” in the market. Lenders who might fall through the cracks include schools that make private loans directly to their students, such as Corinthian Colleges, which has told investors that it **expects nearly 60% of these loans to default**. The company still profits because the federal grant and loan dollars associated with these borrowers far outweigh the planned write-offs.
- **Private loans must be certified and students informed of any remaining federal loan eligibility.** The House-passed financial reform bill requires lenders to confirm with the borrower’s school that the borrower is in fact a student, is eligible to borrow the requested amount, and has been notified of any untapped federal loan eligibility. This “school certification” gives colleges the crucial opportunity to counsel students before they take out an unnecessarily costly and risky private loan. Sallie Mae reports that school certification reduces the amount borrowed nearly 30% of the time, and research has found that school-certified loans have significantly lower default rates than uncertified loans.

Thank you for your consideration of our views. Should you or your staff have any questions, please contact Pauline Abernathy with the Institute for College Access & Success at [pabernathy@ticas.org](mailto:pabernathy@ticas.org) or (510) 318-7903.

Signed,

American Association of Collegiate Registrars and Admissions Officers  
American Association of Community Colleges  
American Association of State Colleges and Universities  
American Association of University Women  
American Federation of Teachers  
American Medical Student Association  
Americans for Financial Reform\*  
Campus Progress Action  
The College Board  
College Parents of America  
Consumer Action  
Consumer Federation of America  
Consumer Federation of California  
Consumer Watchdog  
Consumers Union  
Dēmos: A Network for Ideas & Action  
The Education Trust  
Greater Boston Interfaith Organization  
The Greenlining Institute  
Hispanic Association of Colleges & Universities  
The Institute for College Access & Success and its Project on Student Debt  
NAACP  
National Association for College Admission Counseling  
National Association for Equal Opportunity in Higher Education  
National Association of Consumer Advocates  
National Association of Consumer Bankruptcy Attorneys  
National Association of Social Workers  
National Black Law Students Association  
National Center for Public Policy and Higher Education  
National Consumer Law Center (on behalf of its low income clients)  
National Council of La Raza  
National Education Association  
NYPIRG  
Rainbow PUSH Coalition  
Rock the Vote  
Roosevelt Institute Campus Network  
The Sargent Shriver National Center on Poverty Law  
Thurgood Marshall College Fund  
U.S. PIRG  
UNCF  
United States Student Association  
Young Invincibles

**Please note:** This letter was updated on May 11 to include organizations that asked to sign the letter after it was submitted to senators on May 3, 2010.

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\* A large number of organizations are working together to advance Americans for Financial Reform's common interest in an accountable, transparent and secure financial system, and to accomplish our shared policy goals. Because the organizations involved and the issues addressed are diverse, not every organization works on or has a policy position on every specific issue.