



December 5, 2008

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Henry M. Paulson, Jr.
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC, 20220

Dear Chairman Bernanke and Secretary Paulson:

On behalf of the National Association of Student Financial Aid Administrators (NASFAA) and the 20,000 aid administrators that we represent, I am writing to thank you for your recent efforts to create a facility that will help lenders meet the credit needs of households and small businesses by supporting the issuance of asset-backed securities (ABS) collateralized by student loans. I am also writing to ask you to require stronger consumer protections for borrowers who may rely on these private, non-federal student loans.

NASFAA remains dedicated to completely eliminating the need for private loans by increasing funding and expanding successful federal student aid programs. However, private student loans make up a significant percentage of all education borrowing and we hope that temporary, intermediate steps will alleviate some of the financial uncertainty many families now feel when trying to pay for college. At the same time, this is a good opportunity to introduce meaningful consumer safeguards that are lacking in this industry.

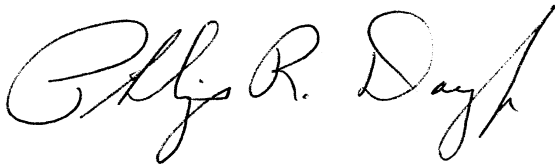
The terms, conditions, interest rates, and fees on private loans are far less attractive than federal loans and offer fewer protections for students. Additionally, these loans are often marketed directly to students and families who may not receive critical counseling before borrowing. NASFAA has consistently advocated for additional transparency in private lending and for additional mechanisms to ensure that students exhaust all forms of federal aid before turning to private loans and to ensure they understand all their responsibilities as borrowers.

NASFAA fully supports the suggestions sent to Secretary Paulson by Senator Dick Durbin on December 3, 2008. NASFAA believes that private student loan providers that rely on taxpayer dollars should be required to: provide caps on interest rates; make available income-based or income-contingent repayment options; agree to give borrowers similar protections that federal loans provide for deferment, forbearance, or loan renegotiation if such an individual is in economic difficulty; and meet additional disclosures requirements.

In addition, NASFAA has long advocated that all private loans be certified through a school's financial aid office to ensure that students are utilizing all federal, state, and institutional aid—including federal loans—before resorting to private loans. We ask that you stipulate that private student loans must be certified through the school's financial aid office.

I urge you to seriously consider these recommendations as you implement your plan to help consumer loan providers. I am available at your convenience to assist you in your efforts to ensure our students and families have the funds they need to continue their education.

Sincerely,

A handwritten signature in cursive script that reads "Philip R. Day, Jr." The signature is written in black ink and is positioned above the typed name.

Dr. Philip R. Day, Jr.
NASFAA President and CEO