



March 8, 2010

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban
Affairs
United States Senate
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing, and Urban
Affairs
United States Senate
Washington, D.C. 20510

RE: Consumer Protections and Disclosures on Private Student Loans

Dear Chairman Dodd and Ranking Member Shelby:

On behalf of the 2,800 colleges and universities that are members of the National Association of Student Financial Aid Administrators (NASFAA), I urge you to include two vitally important student loan-related provisions as part of the Senate's upcoming consumer protection bill.

1. Require school certification on all private education loans.
2. Provide exemptions for certain Truth in Lending Act disclosures for all federal student loans, certain loans made under a State-funded financial aid programs, and institutional loans with terms and conditions that are equal to or better than federal loans.

School Certification on Private Loans

In December, the U.S. House of Representatives passed the the Wall Street Reform and Consumer Protection Act of 2009, which includes a provision that would require private educational lenders to obtain institutional certification prior to making loans to students. It is vital that the Senate include a similar provision in its bill.

Private student loans are one of the riskiest ways to pay for college. They are usually expensive, variable-rate loans that cost more for the students who can least afford them. Private student loans lack the fixed rates, consumer protections and benefits, and flexible repayment options that federal student loans offer. These loans are not financial aid. Often, they are more similar to a student using a credit card to pay for textbooks or tuition. Further, unlike credit cards and other forms of consumer credit, private student loans are virtually impossible to discharge in bankruptcy.

Requiring lenders to obtain a school certification that confirms students' attendance and loan eligibility - as is currently required on all federal Stafford and PLUS loans - gives schools the opportunity to counsel students before they take out an expensive private student loan and inform students of any untapped federal, state, or institutional aid. Recent research has shown that nearly two-thirds (64%) of private loan borrowers in 2007-2008 borrowed less than they could have in safer federal loans. One-quarter (26%) of private loan borrowers took out no federal loans at all. Research has also found that certified loans have significantly lower default rates than uncertified loans. These issues can most properly be addressed by requiring schools to certify eligibility on all private student loans.

Exemption on Certain Truth in Lending Act Disclosure Requirements

The Higher Education and Opportunity Act (HEOA) of 2008 included several changes to the Truth in Lending Act that requires new disclosures that inform private education loan borrowers of less costly federal aid. Unfortunately, this provision is missing several key exemptions that often render these disclosures nonsensical, redundant, and confusing for students and families.

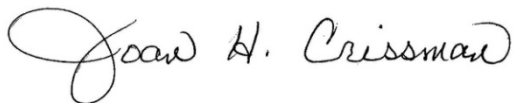
Currently, the law exempts federal loans made under Title IV of the Higher Education Act of 1965 from these new disclosure requirements. But other federal loans—such as loans made under Title VII and Title VIII of the Public Health Service Act that are equally as beneficial to students – are not exempt.

In addition, many states and institutions provide low-cost loans that have terms and conditions that are as good as or better than federal loans. Schools closely monitor institutional aid to ensure students are maximizing the most beneficial aid first, before turning to costlier private student loans. Unfortunately, without exempting these types of loans, the new disclosures create greater confusion among students because they are being inundated with notices referring them back to the very aid they are receiving.

The best way to make these disclosures as useful as possible for students is to ensure that they are targeted towards the private education loans for which they were originally intended and not federal, state, or institutional aid that are clearly better than private student loans.

We appreciate the work that you continue to do to protect consumers and we look forward to working with you to add these important consumer protections for students and parents.

Sincerely,

A handwritten signature in black ink that reads "Joan H. Crissman". The signature is fluid and cursive, with the first name "Joan" being the most prominent part.

Joan H. Crissman
NASFAA Interim President