



STATEMENT OF LAUREN ASHER
President, the Institute for College Access & Success

CONTACT: Edie Irons
510/883-7302
Gretchen Wright
202/371-1999

October 22, 2009

Statement on House Committee Vote on Consumer Financial Protection Agency

“The legislation reported by the House Committee on Financial Services will help bring law and order to the ‘wild west’ of the private student loan market. The bill creates a strong, independent Consumer Financial Protection Agency (CFPA) charged with protecting Americans from risky private student loans and other dangerous financial products, deceptive marketing and unfair treatment.

“The committee soundly defeated an amendment to exempt all student loan providers from the CFPA’s authority. However, we are disappointed that an amendment offered by Congresswoman Maxine Waters to ensure the CFPA has authority over loans made by large for-profit colleges to their students failed on a close 33-35 vote.

“To effectively protect consumers, the CFPA must have authority over all private student loans, regardless of the institution making them. A private student loan can pose the same serious risks to consumers, whether issued by a financial institution or by a school. For example, one large for-profit college recently told its shareholders that it plans to make \$130 million in private loans to its students this year, while expecting nearly 3 out of every 5 borrowers to default on those loans. The need for a strong CFPA with authority over all private student loans could not be more urgent and clear.

“We applaud Congresswoman Water’s leadership along with that of Financial Services Committee Chairman Barney Frank, Education and Labor Committee Chairman George Miller, Higher Education Subcommittee Chairman Rubén Hinojosa, and the Obama Administration to ensure the CFPA has full authority over private student loans.

“Private student loans are one of the riskiest ways to pay for college, yet millions of students take out private student loans as well as, or instead of, safer federal student loans. In 2007-08, nearly two-thirds of undergraduate students with private student loans did not take out all they could in safer, more affordable federal loans. Private student loans are mostly expensive, variable-rate loans that lack the consumer protections and flexible repayment options of federal student loans.”

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To learn more about private loans and read the letter signed by 32 education, civil rights, student, and consumer organizations urging that the CFPA have authority over all private student loans, see www.projectonstudentdebt.org/privateloans.vp.html.

An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. For more about our programs and initiatives, including the Project on Student Debt, see <http://ticas.org>