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Cordray Appointment to Lead the Consumer Financial Protection Bureau Is a Big Win for Students and Families

“President Obama’s appointment of Richard Cordray to direct the Consumer Financial Protection Bureau is a big win for students and their families, signaling the beginning of the end of the ‘wild west’ of student lending. There’s finally a sheriff in town to protect consumers in the woefully under-regulated private student loan market.

“With a director in place, the Bureau can fully exercise the authority Congress granted it to protect consumers and the economy from reckless lending practices. We urge the Bureau to move swiftly on behalf of students and their families by taking steps such as curbing the flagrantly predatory private lending to students at some for-profit colleges; developing and enforcing sound underwriting and loan modification standards; and requiring school ‘certification’ of all private loans to ensure that students can make informed borrowing choices.

“The Bureau has already taken several important steps to assist students and families. These include releasing a [draft “shopping sheet”](#) to make it easier to compare the real cost of different college options; creating a [Student Debt Repayment Assistant](#) to help current student loan borrowers navigate their repayment options; and [seeking public comments](#) about private student loans to inform the Bureau’s upcoming report to Congress.”

About private student loans: Among 2010 graduates of public and non-profit colleges, private loans made up at least 22 percent of their student debt. At some colleges, private loans account for a majority of their graduates’ debt, despite being one of the riskiest ways to pay for college. At for-profit colleges, where nearly all students take out loans, a majority of their graduates have both federal and private student loans.

Private student loans typically have uncapped variable interest rates that are highest for those who can least afford them. They currently lack the consumer protections and flexible repayment options that come with federal student loans, and private student loans are non-dischargeable in bankruptcy. Nevertheless, a majority of private student loan borrowers could have borrowed more in safer federal loans.

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An independent, nonprofit organization, The Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds. TICAS’ Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.projectonstudentdebt.org and www.ticas.org.