

January 26, 2009

The Honorable Barney Frank
Chairman
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable George Miller
Chairman
Education and Labor Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frank and Chairman Miller:

As representatives of students, consumers, colleges, administrators, and counselors, we want to take this opportunity to thank you for your efforts to include consumer protections and accountability under the Troubled Asset Relief Program (TARP) through H.R.384, the TARP Reform and Accountability Act of 2009.

We are writing about an urgent matter related to the planned roll-out of the TARP sub-program, the Term Asset-Backed Securities Loan Facility (TALF), in February. As you know, we are concerned about the planned allocation of TALF funds to private student loan providers. Private student loans are more risky and expensive than federal loans because of high variable interest rates and few consumer protections, and private loan lenders already enjoy special bankruptcy treatment under federal law. For these reasons, financial aid experts agree that private loans should only be a last resort for students. Additionally, we estimate that just eight percent of undergraduates use private student loans, and many of those borrowers have not exhausted their federal loan options.

To ensure that taxpayer dollars in the TALF program serve students and consumers as well as lenders, we ask you to urge the Secretary of Treasury to make the receipt of TALF funds for private student loan financing conditional upon adequate consumer protections and better data collection. Specific conditions that we believe are important for the Secretary implement include:

- Loan modification and/or work-out requirements, such as reductions in principal and economic hardship deferrals, for current and future private student loans;
- Discharges in cases of borrower death or severe disability, for current and future private student loans;
- Limits on interest rates, origination and other fees for future loans;
- Mandatory loan certification and inclusion of the FTC holder notice for future loans; and
- Detailed data reporting on individual future loans replicating the reporting required for Family Federal Education Loans (FFEL) pursuant to section 1092b(a) of 20 U.S.C..

A bailout for the providers of usurious private student loans will not solve the college affordability crisis caused by the failing economy, and will actually be detrimental to many students and consumers. However, if a form of rescue is provided for private student loans, it would be unconscionable to do so without also providing better consumer protections. Implementing these protections will help ensure that private lenders do not unfairly benefit from the bailout at the expense of past, present, and future students and their families.

We realize that there are many pressing issues requiring your attention during these difficult economic times, but respectfully request that you consider this issue a priority given the fast-approaching commencement of TALF fund disbursement.

Sincerely,

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 (AAUW)
Americans for Fairness in Lending
Campus Progress
Consumers Union
Dēmos: A Network for Ideas & Action
The Greenlining Institute
National Association for the Advancement of Colored People (NAACP)
National Association of Student Financial Aid Administrators
National Center for Public Policy and Higher Education
National Consumer Law Center (on behalf of our low-income clients)
National Consumers League
The Project on Student Debt (an initiative of the Institute for College Access & Success)
National Association for College Admission Counseling
The Sargent Shriver National Center on Poverty Law
U.S. Public Interest Research Groups
United States Students Association