



STATEMENT OF PAULINE ABERNATHY
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Big Wins for Students in Final Financial Reform Bill

“We congratulate House and Senate conferees for reaching agreement on historic financial reforms, including a much-needed Consumer Financial Protection Bureau (CFPB) with authority over risky private student loans and other financial products.

“Private student loans have been woefully under-regulated, leaving students and families vulnerable to unscrupulous lenders and deceptive practices. These loans typically have variable rates with no cap and lack the important deferment options, affordable repayment plans, loan forgiveness programs, and cancellation rights in cases of death or severe disability that federal student loans provide. In addition, unlike credit card debt and other consumer loans, private student loans are virtually impossible for borrowers to discharge in bankruptcy.

“The CFPB’s rules will apply to all private student lenders, including both banks and other entities, such as career colleges that offer private student loans. These are big wins for student borrowers and their families. The CFPB will also have full supervision and enforcement authority over private student lending by larger banks and all nonbanks.

“The bill also establishes a Private Education Loan Ombudsman at the CFPB that will finally give students and their families somewhere to turn for help with private student loans.

“With its broad mandate and authority to protect consumers, we hope the CFPB will act quickly to require that colleges certify private loans and inform students and parents of any untapped federal loan eligibility before they take out a private student loan. This will help protect consumers from aggressive marketing and unnecessarily risky products, and has strong support from lenders, students and schools.

“We urge the full House and Senate to quickly pass this legislation and finally rein in the ‘wild west’ of student lending.”

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An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. The Institute’s 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.