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the institute for
college
access & success

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The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray:

It is with great concern that we read in *Politico* that private education lenders have asked for a 30-day “compliance grace period” during which consumers would not be given the information they need and that is required by law to help them make informed decisions about how to pay for college (*Politico*, “Banks ask for grace period on student loan rate disclosures,” August 6, 2013). Providing such a grace period would be both contrary to the law and to consumer interests. Students cannot “know before they owe” if they are not given the information required under the Truth in Lending Act, are not given accurate information, or only given it *after* they take out the loan.

As you know, private loans are one of the riskiest, most expensive ways to pay for college. Like credit cards, private loans typically have uncapped, variable interest rates that are higher for those who can least afford them. However, private loans are treated much more harshly in bankruptcy than credit cards and other comparable types of debt. Private loans also do not provide the important deferment, income-based repayment, and loan forgiveness options that accompany federal student loans. Yet, based on the available data, a *majority* of undergraduate private loan borrowers do not borrow the maximum amount in safer federal student loans first. Students need *more* timely information and counseling, *not less*. Indeed, we are concerned that private lenders appear to be increasingly marketing private loans as an *alternative* to federal loans, rather than a supplement.

For weeks, private lenders have known that the federal student loan rates would likely be changing, and the new rates have been known since agreement was reached on July 18, 2013. If the Department of Education can implement the new rates on all federal loans, then private lenders certainly should be able to provide accurate required disclosures.

Sincerely,



Lauren Asher
President