



Statement of Robert Shireman
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Expert Praises Committee Action to Improve Consumer Protections for Private Student Loans, Urges Additional Provisions

“The Senate Banking Committee today passed legislation that will help protect students and their families who consider or take out private loans to pay for college. The bill includes two important provisions that help reduce confusion about private loans. One ensures that borrowers can distinguish between private and federal loans. The other requires lenders to disclose information about interest rates and to provide standard information about loan terms, making it easier for borrowers to compare private loans and make sound financial decisions.

“Families ability to compare loan offers is further enhanced by a required “cooling off” period during which the borrower can cancel the loan. The legislation also bans lenders from using college names and insignias as part of the private loan brand.

“By banning revenue sharing between lenders and educational institutions and prohibiting gifts greater than a nominal value to educational institutions or their employees, this bill reduces the potential for the types of college loan scandals that have recently come to light.

“While this legislation puts in place much-needed consumer protections, one glaring omission which must be addressed is the lack of any provision allowing private loans to be discharged in bankruptcy. We urge the full Senate to include such a provision as this legislation moves forward.”

Useful resources:

[The Project on Student Debt’s Private Loan Agenda](#)

[Helping Families Finance College: Improved Consumer Disclosures and Counseling](#) (Consumers Union, July 19, 2007)

[Private Student Loans: More Important than Child Support and Taxes?](#) (Robert Shireman on private loans and bankruptcy)

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The Project on Student Debt works to increase public understanding of the changing role of student debt and its implications for our families, economy and society. Recognizing that loans play a critical role in making college possible, the Project’s goal is to identify cost-effective solutions that expand educational opportunity, protect family financial security, and advance economic competitiveness. The Project on Student Debt is managed by The Institute for College Access & Success, a nonprofit, nonpartisan organization working to make higher education more available and affordable for people of all backgrounds. For more information see www.projectonstudentdebt.org and www.ticas.org.