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Sallie Mae's Private Loans Exempt from Financial Reform Bill?

Broad Coalition Calls for Amendments to Cover all Private Student Loans

(Washington, D.C.) – [In a letter sent today](#), nearly 40 organizations that advocate for students, civil rights, higher education, and consumers called on U.S. senators to close worrisome gaps in the Senate financial reform bill. As currently drafted, the bill does not ensure that the new Consumer Financial Protection Bureau (CFPB) has enforcement authority over the largest private student loan provider, Sallie Mae, or over predatory loans made by large for-profit colleges to their own students.

Private student loans typically have uncapped, variable interest rates that are highest for those who can least afford them. They lack the consumer protections and flexible repayment options of federal student loans, and are nearly impossible to discharge in bankruptcy.

“Private student loans are exactly the kind of dangerously under-regulated financial product that the Consumer Financial Protection Bureau needs to oversee,” said Pauline Abernathy, vice president of the Institute for College Access & Success, home of the Project on Student Debt. “Failing to give the new bureau full authority over all private student loans would leave young people and other vulnerable consumers, and our economy, at the mercy of unscrupulous lenders.”

With signers including some of the nation's largest organizations representing people of color (the NAACP and National Council of La Raza), the letter notes that large for-profit colleges disproportionately enroll minority and low-income students, and some of these colleges are making private loans directly to their students, knowing that most will not be able to repay.

The letter calls for amending the Restoring American Financial Stability Act (S. 3217) to address private student loans in three ways. First, by giving the Consumer Financial Protection Bureau full enforcement authority over the largest private lenders. Second, by ensuring the bureau has full enforcement authority over predatory student loans made by schools and other nonbanks. And finally, by requiring loan “certification,” which means lenders must confirm with the school that the borrower is really a student, is eligible to borrow the requested amount, and has been notified of any untapped federal loan eligibility. At the urging of many of the groups that signed today's letter, the House-passed financial reform bill achieves these three objectives.

“Lenders, schools and students all support requiring certification before lenders issue private student loans. This common-sense reform will help prevent unnecessary risky borrowing and reduce damaging loan defaults,” said Abernathy.

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[See the coalition letter](#)

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.