



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

January 17, 2012

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1500 Pennsylvania Ave., NW
(Attn: 1801 L Street)
Washington, DC 20220

(sent via email to: CFPB_StudentsFedReg@cfpb.gov)

Dear Ms. Jackson:

On behalf of Americans for Financial Reform, a coalition of more than 250 national and state organizations working together for strong Wall Street reform, we submit these comments in response to the “Request for Information Regarding Private Education Loans and Private Educational Lenders” (FR Doc. 2011–29737, Docket No. CFPB–2011–0037). We appreciate the opportunity to comment as the Consumer Financial Protection Bureau (Bureau) prepares its report required by Section 1077 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Private student loans are one of the riskiest ways to pay for college. No more a form of financial aid than a credit card, private student loans typically have uncapped variable interest rates that are highest for those who can least afford them. Even when fixed rates are offered, private loans lack the basic consumer protections and flexible repayment options of federal student loans, such as unemployment deferment, income-based repayment, and loan forgiveness programs.

Publicly available data provide a troubling, but incomplete, picture of the private education lending market in the United States and its impact on students and families. What data exist underscore the need for the Bureau to strengthen consumer protections and provide consumers with the information they need to “know before they owe” and make sound decisions about how to pay for college. For example, the current disclosures required by the Higher Education Opportunity Act of 2008 and promulgated by the Federal Reserve are clearly inadequate and need to be improved. Among other deficiencies, co-signers often do not realize they are liable for loans and lenders are not required to send the final disclosure with the actual loan terms to all co-signers and do not extend cancellation rights to co-signers.

The critical context for private student loan issues is that, due to the lack of a bankruptcy option or any federally mandated relief, students with little experience in financial matters can incur tens and even hundreds of thousands of dollars of completely unaffordable debt that will follow

them and damage their credit for their entire lives. Available data indicate that many private student loans have high default rates that are likely to climb. Private student lenders have failed to adopt any meaningful policies, such as long-term repayment options or loan modifications, to help students who are buried in debt, and lenders often refuse to cancel loans even in the event of the student's death.

The most recent federal data show rapid growth in the share of undergraduates using private loans, from 5 percent in 2003-04 to 14 percent in 2007-08. For-profit colleges had the largest proportion of students taking out private loans in 2007-08, and the largest increase compared to four years earlier.¹ In fact, a *majority* of the graduates of for-profit colleges leave with private loans.²

Because of the high risks and costs associated with private loans, experts agree that students should always exhaust all available financial aid, including federal loans, before even considering a private student loan. However, the most recent federal data show that *a majority of private loan borrowers could have borrowed more in federal loans before turning to private loans.*³ For this reason, we urge the Bureau to use its authority to require private education lenders to obtain certification from a student's school that the student is eligible for the loan and has been notified of any outstanding federal aid eligibility before the loan is disbursed.

More and better information is needed about the types of private education lending products being offered, what types of lenders, colleges, and other entities are involved in making and marketing these products, how they are advertised and delivered to customers, and how well students and families understand them. Currently, the most comprehensive source of data on the extent and types of private lending, the characteristics of private loan borrowers, and the colleges they attend is a federal survey conducted every four years, with little data at the state level and none at the college level. It is important for students, policymakers, and the public to have timely and accurate information about all student borrowing at the national, state, and college level to inform decision making and hold colleges accountable for their policies and practices. There is also very little publicly available information about the rates and terms of private loans when they are first issued, or when they are in repayment. We urge the Bureau will work with the Department of Education and others to collect detailed annual data on private loan usage and terms at the college, state and national levels.

Finally, a recent report from the National Consumer Law Center (NCLC) documents the surge in institutional lending at several large for-profit colleges that are making loans to students they know, at the outset, will not be able to repay them.⁴ In its ongoing investigation of the for-profit college industry, the Senate Health, Education, Labor and Pensions Committee has found

¹ The Project on Student Debt at TICAS. 2011. *Private Loan Facts and Trends*. Also see: U.S. Department of Education. NCES. 2011. *The Expansion of Private Loans in Postsecondary Education*. These figures are for private loans to undergraduates from banks/lenders, excluding state/institutional loans.

² College Board. 2009. *Who Borrows Most Bachelor's Degree Recipients with High Levels of Student Debt*. Table 2. <http://advocacy.collegeboard.org/sites/default/files/Trends-Who-Borrows-Most-Brief.pdf>.

³ The Project on Student Debt at The Institute for College Access & Success (TICAS). 2011. *Private Loans: Facts and Trends*. http://projectonstudentdebt.org/files/pub/private_loan_facts_trends.pdf.

⁴ National Consumer Law Center. 2011. *Piling It On: The Growth of Proprietary School Loans And the Consequences for Students*. <http://www.studentloanborrowerassistance.org/uploads/File/proprietary-schools-loans.pdf>.

expected default or write-off rates for institutional loans at for-profit colleges in the 40 to 80 percent range and institutional loan interest rates as high as 18 percent.⁵ Such predatory lending cries out for attention and action by the Bureau.

Thank you for the opportunity to comment.

Sincerely,

Americans for Financial Reform

⁵ See: Documents from U.S. Senate. Committee on Health, Education, Labor and Pensions, June 7, 2011.

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International

<http://harkin.senate.gov/documents/pdf/4dff84b1b4a54.pdf>. Accessed January 16, 2012.

- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group

- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)

- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network

- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- The Holographic Repatterning Institute at Austin
- UNET

