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Diverse Coalition Releases Student Loan Reform Proposal

Option Preserves Consumer Choice, Taxpayer Savings and Jobs

WASHINGTON D.C., July 7, 2009 -- Today, a diverse coalition of lenders, guaranty agencies, secondary markets and servicers representing all sectors of the student loan community -- non-profit, for-profit, and state-based -- released a reform proposal that builds on President Obama's student loan plan. The Student Loan Community Proposal should achieve the same level of taxpayer savings for student financial aid, while preserving consumer choice, borrower default-prevention programs, and more than 35,000 local jobs.

In a joint statement, coalition members said, "The student loan community's proposal offers the best of both worlds -- it melds the President's proposal's cost-saving features with tried and true program elements that have served families well since 1965: consumer choice, superior service, innovation, local administration and borrower default prevention programs."

The coalition includes non-profit, state agencies, stand-alone lenders and loan servicers, consumer banks, and non-profit, state-based guaranty agencies and secondary markets.

The Student Loan Community Proposal endorses the core principles of the Administration's reform effort -- using federal funds to guarantee the stability of student loan financing, eliminating subsidies to private lenders, and generating historic savings for student financial aid -- while maintaining choice, competition, superior service for students and schools and preserving tens of thousands of local jobs in all 50 states.

In addition, the proposal meets these goals without the significant transition risk assumed by 4,500 schools that comes from the Administration's planned government takeover of more than \$60 billion in private-sector-originated student loans in less than six months. It guarantees taxpayer savings will be available to deliver on the Administration's proposal to expand the Pell Grant program by establishing a fee-for-service system for loan originations, servicing, and collections to be performed by student loan service providers of a student's or school's choice.

This Student Loan Community Proposal also achieves the following:

- Allows schools to maintain the ability to choose local not-for-profit and state-based agencies to provide originations or servicing in their state;
- Permits current originators to continue to provide origination services if schools or students choose them, eliminating the massive transition risk that comes from requiring thousands of schools to immediately change programs;
- Incorporates “risk sharing” incentives on loan servicing, generating further savings and significantly reducing defaults;
- Expands default prevention assistance, counseling, financial literacy, and advocacy programs from guaranty agencies to all students and families; and,
- Preserves the 35,000 jobs that comprise the existing student lending infrastructure.

“We want to bring our expertise to the table and work in cooperation with the Obama Administration and Congress on this crucial reform, and we believe this proposal is a positive step forward,” the signatories of the student loan community plan wrote in a letter to Congress. “We also acknowledge that the time has come for a significant change in the way student loans are financed. Our goal is simple: to ensure the plan will truly benefit students, their schools and taxpayers.”

The initial list of signatories to the plan includes:

Citizens Bank

Brazos Higher Education Service Corporation

Edfinancial Services

Educational Credit Management Corporation

Edsouth

Finance Authority of Maine

Florida Department of Education -- OSFA

Georgia Higher Education Assistance Corporation

Georgia Student Finance Authority

Illinois Designated Account Purchase Program

Illinois Student Assistance Commission

Missouri Department of Higher Education
National Student Loan Program
Nelnet
New York State Higher Education Services Corporation
NHHEAF Network
North Carolina State Education Assistance Authority
Northwest Education Loan Association
PNC Bank
Sallie Mae
Student Loan Guarantee Foundation of Arkansas
SunTrust Banks, Inc.
Tennessee Student Assistance Commission
The Student Loan Corporation
USA Funds
Utah Higher Education Assistance Authority
Wyoming Student Loan Corporation

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