



July 12, 2016

The Honorable Richard Shelby  
Chairman  
Banking, Housing & Urban Affairs Committee  
U.S. Senate  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Banking, Housing & Urban Affairs Committee  
U.S. Senate  
Washington, D.C. 20510

The Honorable Lamar Alexander  
Chairman  
Health, Education, Labor & Pensions Committee  
U.S. Senate  
Washington, D.C. 20510

The Honorable Patty Murray  
Ranking Member  
Health, Education, Labor & Pensions Committee  
U.S. Senate  
Washington, D.C. 20510

Dear Senators Shelby, Brown, Alexander, and Murray:

On behalf of the Consumer Bankers Association (CBA), I write to express our concerns regarding S. 3116, the Empowering Students Through Enhanced Financial Counseling Act. CBA is the voice of the retail banking industry whose products and services provide access to credit for consumers and small businesses. Our members operate in all 50 states, serve more than 150 million Americans, and collectively hold two-thirds of the country's total depository assets.

On July 11, 2016, the House of Representatives passed H.R. 3179, the Empowering Students Through Enhanced Financial Counseling Act. Recently, a Senate companion bill, S. 3116, was introduced by Senators Warner, Heller, Kaine, and Gardener; however, the bill has yet to receive consideration by the Senate Health, Education, Labor, and Pensions Committee.

CBA appreciates Congress' efforts to ensure students and families have a complete understanding of the financial obligations associated with federal student loans and financing higher education, including attempts to make the entrance and exit counseling requirements of the federal student loan programs have a more meaningful impact. However, there are details in the bills that could mislead consumers, detracting from the praiseworthy goal of improving loan counseling.

S. 3116 would require an "explanation that federal student loans typically offer better terms and conditions than private loans." In many cases, this statement is simply not true. The result of this requirement will be consumer confusion and mandated steering of students and their families to federal loans that may not be in their best interests.

The misleading nature of such a statement is further underlined by the fact that *any* student loan not made by the Department of Education, including loans from banks, state agencies, colleges and universities, the Department of Health and Human Services, and others, is considered a private student loan under federal law.

To further compound the effects of this misinformation, the current federal student loan disclosure regime lacks a critical piece of information for students and families weighing their loan options—the annual percentage rate (APR), a standard disclosure that reveals the full cost of borrowing. Federal student loans carry origination fees which can seriously impact the overall cost of credit, particularly in the case of PLUS Loans for parents and graduate students, which have fees of 4.272 percent. Stafford loans carry

1.068 percent fees, which should also be disclosed. If Congress wants to empower student borrowers to make sound financial decisions, disclosing the full cost of credit via the APR is an excellent place to start. We also note that the vast majority of private student loans have no origination fees, another reason the bill's disclosure language regarding private loans may be misleading.

When the costs of federal PLUS Loans are fully accounted for, private student loans can often provide students and families with the financing they need for higher education expenses at a significantly lower rate. There are some benefits which are unique to federal student loans, but these benefits have their own positives and negatives for consumers, and they are clearly not sufficient to mandate in law that school officials state all loans made through the Direct Loan program "typically offer better terms and conditions than private loans."

There are many aspects of S. 3116 which CBA fully supports, including improvements to the federal loan entrance and exit counseling process as well as annual debt statements to remind students and families of their upcoming obligations. However, the private loan provisions are highly problematic. Given the extremely worthwhile goals of this bill, CBA would greatly appreciate the opportunity to work with your committees to improve upon the legislation by removing the requirement that colleges and universities provide subjective and sometimes misleading consumer information while maintaining the important new tools the legislation would provide for students and families.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Hunt". The signature is fluid and cursive, with the first name "Richard" being more prominent than the last name "Hunt".

Richard Hunt  
President and CEO  
Consumer Bankers Association