SAVINGS + COMPETITION + CHOICE FOR STUDENTS & SCHOOLS

Enhancements to the President's Proposal: A Consensus View Offered by Diverse Student Loan Providers

The President's fiscal 2010 budget included sweeping changes to federal student loans with a goal of achieving tens of billions of dollars in budget savings over 10 years. The savings would be used to expand the Pell Grant program, which provides funding to low-income students. With this goal in mind, a diverse group of student loan participants from all sectors the student loan industry, including non-profit state agencies, stand alone lenders and loan servicers, consumer banks and non-profit, state-based guaranty agencies and secondary markets, have come together to support a detailed proposal that achieves the President's objectives and maintains the choice, competition, and service that have benefitted students, families, schools, and the taxpayers for over 40 years. The Student Loan Community Proposal:

- ✓ Should achieve the same level of savings for Pell Grants and student financial aid as the President's proposal;
- ✓ Eliminates lender subsidies and private ownership of new federal loans;
- ✓ Ensures the federal government owns and generates savings from all new federal loans;
- ✓ Establishes 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;
- ✓ Retains the competitive environment that drives improvement and innovation in loan delivery to the benefit of students and schools;
    - o Schools choose service providers for originations and servicing;
    - o Current originators may continue providing origination services if schools or students choose them;
    - o Schools maintain ability to choose local not-for-profit and state-based agencies to provide originations or servicing in their state.
- ✓ Decreases defaults by incorporating "risk sharing" incentives on loan servicing, generating further savings;
- ✓ Avoids transition risk that could disrupt student access or delay crucial budget savings;
    - o Using existing providers will minimize the number of students with confusing split servicing and keep defaults down
    - o Retaining existing infrastructure will avoid forcing 4,500 schools from switching to a single student loan delivery platform
    - o Relying on existing infrastructure, employees and expertise guarantees that savings can be achieved on July 1, 2010
- ✓ Preserves the 35,000 jobs that comprise the existing student lending infrastructure;
- ✓ Expands assistance and advocacy programs to all borrowers
    - o Students will benefit from financial literacy and independent support services from guaranty agencies like help with smart borrowing choices and default avoidance