

Macias, Wendy



From: [REDACTED]
Sent: Tuesday, June 16, 2009 1:12 PM
To: negreg09
Subject: Student Financial Aid Comments

[REDACTED]

Wendy Macias, U.S.
Department of Education, 1990 K Street,
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Dear Ms. Macias

The Student Loan program, and the Student Loan Consolidation programs are terribly flawed and should be revised to meet the needs of the student, parent, and lender alike. The current program does not allow for refinancing to lower interest rates, uses a percentage of the much needed aid to originate the loans, prevents any consumer protections that are enjoyed by almost all other retail loans. There are also conflict of interest concerns with some of the large loan warehousing companies. These are all issues that the committees should take up with regards to the revision of the rules for the Federal Student Financial Aid Program.

There are literally hundreds of thousands of student who are saddled with large student loan obligations, who have an interest rate as high as 12%. These loans are almost impossible to refinance at a lower rate. Unless the borrower has enough assets to secure the loans, they are stuck with the higher interest rates. Most consumer loans or debt have a variety of protections for the borrower. In the current Federal Student Loan program, these protections are few if nonexistent. Student loans cannot be afforded Bankruptcy protection unless the borrower is disabled. Retirements, tax refunds, and social security can be attached to pay for any delinquencies in a student loan, and wages can be garnished without a hearing or court order.

There are a few companies out there that act as the primary lender, loan guarantor, and the collection agency when it comes to student loans. When a borrower is in trouble they have nowhere to go, because the system has no check or balances. The system is owned and operated by one company. If the company does not perform as expected and a borrower is harmed, they [the borrower] have little or no recourse. These companies do not have to negotiate lower interest rates or entertain offers of compromise on existing loans because the loans are backed by the federal government, and once the defaulted loan is paid off by the government, the lending company is hired to collect the loan and receives a percentage of what they collect.

There are many ways that this can be solved. First and foremost, take the private lenders out of the Student lending and collection business. Secondly, reinstate consumer protections for the borrowers to allow them relief through the court system. Put the decisions as to whether or not to discharge a student loan back in the hands of the bankruptcy judge to determine on a case by case basis how to deal with the loans. Allow borrowers the opportunity to refinance existing loans when interest rates go down and for old delinquent loans allow the borrower to make and offer of compromise to clear delinquencies from the

books. While these are simplistic remedies for a complex system, there are some valid points here that may help stem the rising tide of delinquencies and crushing debt on current and former students.

Thank you

