



September 16, 2009

To Members of the United States House of Representatives:

Today, the House is considering H.R. 3221, the Student Aid and Fiscal Responsibility Act. Despite its name and the statements made by proponents of the legislation, this legislation has significant negative fiscal and policy implications leading us to conclude it is not in the best interest of student borrowers, families, taxpayers, colleges or universities. We urge you to oppose this legislation.

Our concerns relate primarily on the proposed phase out of the role of the private sector in federal student loan programs, a program that has served student and parent borrowers well for years. In a time where the federal government has been attempting to create jobs and stimulate the economy, passage of this legislation will do the exact opposite and increase job losses. We are also concerned with the loss of valuable customer services for borrowers that help them avoid delinquency and default, the deterioration of the overall quality of servicing resulting from the lack of competition over time, and an estimated additional one trillion in Treasury borrowing over the next ten years.

In addition to these concerns, we want to draw your attention to the serious issues raised regarding the accuracy of the official Congressional Budget Office scoring for the bill by CBO Director Elmendorf in letters to Senator Gregg and Congressman John Kline. Both letters indicate that the "scored" savings under this legislation are much less than reflected in the official CBO budget estimate and that the enactment of H.R. 3221 will set in motion long-term deficit spending that will increase the national debt.

We are also hearing from hundreds of schools, both individually and through their associations, that they do not believe the Department of Education will be ready to transition all schools into Direct Loans on July 1, 2010 as required under H.R. 3221. From the information we have received CBA does not believe the Department can successfully complete this transition and, as a result, the educational plans of hundreds of thousands of students may be placed in jeopardy.

Importantly, alternatives to H.R. 3221 have been put forward by various groups.

CBA urges rejection of H.R. 3221 and a restart of the process to finding a responsible solution without dismantling a program that has been working well for student and parent borrowers for years. We believe that a better solution is available to preserve the best interests of student and parent borrowers that would preserve competition in the marketplace, keep jobs intact, and minimize increases to the federal deficit.

Sincerely,

Richard Hunt
President, Consumer Bankers Association