



SALLIE MAE, INC.
12061 Bluemont Way
Reston, VA 20190

BARRY FEIERSTEIN
Executive Vice President

May 28, 2009

Dear Valued Colleague:

Last week, the U.S. House of Representatives Committee on Education and Labor, chaired by Rep. George Miller (D-CA), convened an important hearing to examine how to increase student aid through reforming the student loan programs. Sallie Mae was honored to testify as one of Chairman Miller's witnesses.

According to a Committee statement released after the hearing, "A wide and growing consensus of stakeholders, including the Obama administration, Sallie Mae, colleges, and students, agree that major reforms must be made to the federal student loan programs in order to make college more affordable for years to come."

The President has put forward a plan which builds a solid foundation for a new federal student loan program by utilizing federal funding, establishing common loan terms, and replacing a subsidy model with a fee-for-service model.

Sallie Mae Vice Chairman and Chief Financial Officer, Jack Remondi, testified that Sallie Mae fully supports the President's objectives of reforming federal student loan programs to generate an historic level of funding for Pell Grants.

During the hearing, Chairman Miller said the Committee is evaluating the President's plan and giving Sallie Mae's recommendations "very serious consideration." He made it clear that continuing the status quo is not on the table.

Sallie Mae's recommendations build on the President's plan with enhancements that would achieve beneficial competition in the delivery of loans, create incentives to reduce defaults materially, and eliminate the risk of requiring more than 4,000 schools to convert to a new loan delivery process within the next nine months (*see related graphic below*). Specifically, Sallie Mae offers the following recommendations regarding the Administration's proposal:

1. Schools should be allowed to choose the loan delivery platform and loan originator that works best for them and the students they serve;
2. Risk-sharing should be introduced so that all student loan servicers have "skin in the game" and loan defaults are minimized;
3. Originating lenders should be able to retain servicing, regardless of their size;
4. Schools should be permitted to choose their loan servicer;
5. The Department would set the fee-for-service structure via market mechanisms to preserve broad participation of originators, including smaller, regional, state and nonprofit service providers; and,

6. The Department would fund default prevention initiatives – such as financial literacy programs and student counseling.

We believe the incorporation of these six recommendations will assure that the best interests of students, schools, and taxpayers are fully served. Nearly 40 years of experience working closely with thousands of financial aid administrators and millions of students and parents underscore Sallie Mae's belief that the benefits of these proposals are significant. We are confident they would produce the most efficient and effective student lending infrastructure, and preserve the value added by private sector student loan providers, including smaller, regional, state, and nonprofit providers.

Using the existing loan delivery system eliminates the risks and costs associated with a rapid conversion of more than 4,000 schools to a loan origination platform they did not choose. As important, allowing 75 percent of all schools to continue to use existing loan delivery infrastructure without changes would guarantee that the projected savings for Pell Grants would materialize. Alternatively, any delay in transitioning all schools to the same loan delivery platform could jeopardize the projected savings for Pell Grants and cause disruptions in loan delivery for students.

The best products and services result from consistent competition. Allowing choice of loan providers and servicers drives innovation and improvement. Mandating that all schools must use a single loan originator will eliminate any incentives for innovation and improvement.

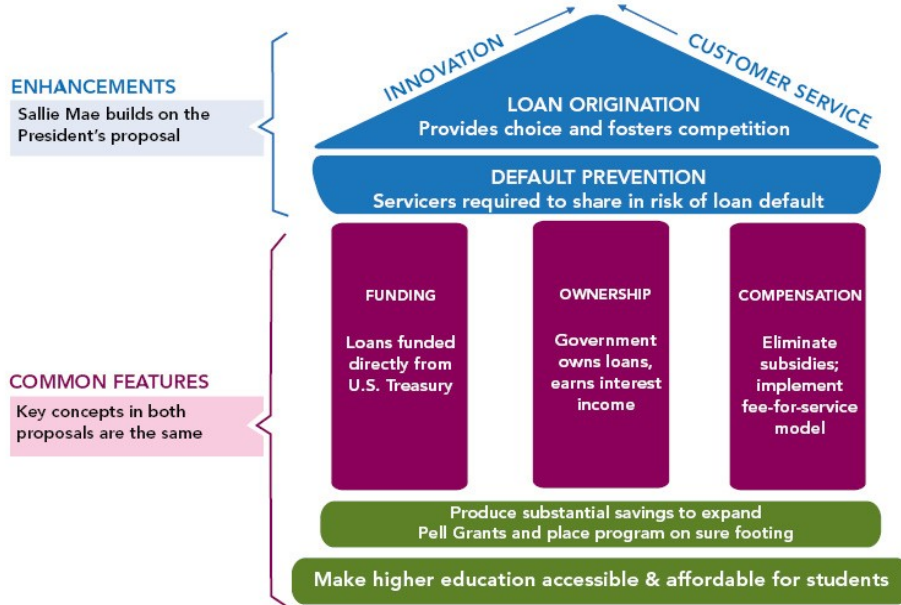
We are eagerly awaiting an official Congressional Budget Office (CBO) analysis of our recommended enhancements that build on the President's proposal – which are the result of ongoing collaboration among a growing group of stakeholders – and we pledge to make sure you have the details of that important analysis as soon as it is released. In the meantime, we hope you will add your voice to the call for a student loan reform plan that achieves historic savings for Pell Grants, minimizes the chance of loan delivery disruptions, and preserves choice for students and schools.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. F. Feierstein', written in a cursive style.

Barry Feierstein

BUILDING ON THE PRESIDENT'S PROPOSAL



Click image to view larger version online.

LEGAL

[Privacy](#) | [Terms of Use](#)

Sallie Mae and Champions for Higher Education are registered service marks of Sallie Mae, Inc. SLM Corporation and its subsidiaries, including Sallie Mae, Inc., are not sponsored by or agencies of the United States of America. (c) 2009 Sallie Mae, Inc. All rights reserved.

Unsubscribing

THIS EMAIL CONTAINS AN ADVERTISEMENT OR SOLICITATION.

Our postal address is P.O. Box 9500, Wilkes-Barre, Pennsylvania 18773-9500.

If you wish to unsubscribe from future email advertisements/solicitations from this Sallie Mae business, please accept our apologies and unsubscribe here: [click here](#). Please allow up to 10 business days from date of submission to honor opt-out request.

E1871