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Dear Valued Customer:

This week the U.S. House of Representatives Committee on Education and Labor approved the *Student Aid and Fiscal Responsibility Act of 2009*. Unfortunately, the Committee-approved bill only tracks faithfully to the original Administration proposal in the areas that have raised the most distress in the financial aid community. Retained are the mandated school conversion to a single, non-competitive origination platform and the system by which only the government chooses loan servicing for every student. Absent from the bill is the promised Pell Grant entitlement. In fact, by directing the bulk of the savings elsewhere -- even outside of student financial aid -- the bill provides dramatically less funding for Pell Grants than either the President or the student loan community had proposed.

As you know, we at Sallie Mae<sup>®</sup> agree that reforming the student loan program and using the savings to increase Pell Grants is an important objective. That is why we joined a broad coalition of student loan participants from all sectors of the industry, including non-profit state agencies, stand-alone lenders and loan servicers, consumer banks and non-profit, state-based guaranty agencies in supporting a reform proposal that achieves President Obama's objectives while allowing existing loan providers to continue originating and servicing loans -- thus maintaining the choice, competition, and service that schools like yours have benefitted from for 37 years.

In fact, at least 31 House Democrats support those aims, and they have signed a [letter](#) advocating for maintaining choice and competition in student loans to "minimize the disruption in availability of loans to students, minimize the costs borne by schools that would be required to transition from the current private sector-based program to Direct Loans and maintain retail market competition as a means of promoting innovation and customer service excellence."

Regrettably, the initial House bill would mandate that all new student loans be originated exclusively through the Department of Education's Common Origination and Disbursement system and does not include the enhancements proposed by schools, industry groups, and other Members of Congress.

**Despite the considerable efforts by some to convince you and your colleagues that 100% Direct Loans is inevitable, the legislative process is far from over.**

Furthermore, there is clear evidence that your voices are beginning to make a difference in the halls of Congress. For example, a coalition of Financial Aid Administrators, representing the voices of more than 1,700 college officials and students, recently released a framework

promoting the principles they believe will best serve the interests of students, schools and taxpayers. Regardless of your position on the future of the student loan program, such efforts that give a voice to the experts who know best how to serve students will indeed play an important role in shaping the debate in the Senate and the final legislation that is ultimately presented to the President.

It is vital that **all** schools join the growing chorus and make their voices heard. The higher education community has an historic opportunity to be successful in advocating for reforms that meet the President's main objectives and maintains the high level of service that you and your students deserve without placing substantial transition costs on financial aid offices. This opportunity must not be wasted.

There are many steps remaining in the legislative process as outlined in this [timeline](#); however, the time to voice your opinion is **now**. Lawmakers will be home for the month-long August recess, giving you a great opportunity to get their attention at a time when they are away from Washington, D.C. and closer to their constituents.

The message is simple, and we commend the coalition of your colleagues for putting it so aptly into words: "Fortunately, we do not have to choose between funding substantial increases in need-based financial aid and preserving the values of choice and competition that are in place today."

Sincerely,



Barry Feierstein

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