



SALLIE MAE, INC.
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BARRY FEIERSTEIN
Executive Vice President

September 22, 2009

Dear Valued School Customer,

Last week brought very promising news to those working toward a bipartisan solution that would preserve choice and competition in the federal student loan program, while achieving a historic level of taxpayer savings. The Congressional Budget Office (CBO) released its long-awaited analysis of the alternative student loan reform proposal put forth by a broad coalition of nonprofit state agencies, stand-alone lenders and loan servicers, consumer banks and nonprofit state-based guaranty agencies and secondary markets. **The CBO concluded that mandatory savings of \$87 billion can be achieved by either the community proposal or H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009.**

The CBO analysis of the community proposal shows that there are viable, alternative paths moving forward. Now Congress must decide how to best administer the program and at what cost. Congress has the option to rely entirely on the U.S. Department of Education to determine the service levels necessary to meet the needs of students and families, or they can rely on private sector competition where schools can select the best service providers. By way of illustration, although Sallie Mae currently handles about the same level of loan volume as the entire Direct Loan program, we have four times the number of customer service representatives answering students' loan origination calls. That is because we know that service levels matter to our customers, and we dedicate the resources necessary to provide superior service.

Contrary to public statements by others, the community proposal achieves the President's objective of ending subsidies for private lenders in order to increase funding for Pell Grants so that more low-income Americans can achieve their dream of a higher education. As important, it does so without threatening the valued financial literacy and default prevention programs available to students today, and it ensures that your colleagues and you are not forced to make a mandatory, expensive, time-consuming transition to process loans through the Direct Loan program—a program that the vast majority of schools have avoided since 1993.

Recently, the U.S. House of Representatives voted to approve H.R. 3221. This vote marked the beginning of a long process, as the student loan reforms are expected to ultimately be debated and voted on as part of the FY 2010 Budget Resolution sometime in November or December.

The Senate Health, Education, Labor and Pensions (HELP) Committee has until October 15 to approve its version of the legislation, which will then be considered by the Senate as a whole. If passed in the Senate as a budget measure, the House of Representatives will again

vote on their version, initiating a conference committee to work out the differences. That conference committee compromise bill is then debated and voted on by both chambers, all as part of a budget reconciliation package that will likely include health care reforms. The primary reason budget reconciliation is being used is because the proposed move to 100 percent Direct Loans cannot be approved in the Senate without strict procedural protections that limit floor debate and amendments, and reconciliation requires only 51 votes for approval instead of the normal 60 votes.

As always, the voices of schools and financial aid administrators continue to be critical as the legislative process moves forward. Many of you are warning about the "immense risk" and "massive confusion" that will come from forcing thousands of schools and millions of students to transition to a new federal student loan processing program without ample time and resources to do so. It is your voices that will help the Senate produce a compromise solution that works best for students, families, schools and taxpayers. Click [here](#) for a timeline outlining the student reform legislation.

Please join us on Thursday, Sept. 24 at 2:30 pm EDT for the next Straight Talk conference call. This Sallie Mae Straight Talk event will give your colleagues and you the opportunity to ask questions about the process that will result in the most significant reforms to student aid programs in decades. Visit SallieMae.com/StraightTalkSept to register for the call. You may submit questions in advance at AskStraightTalk@SallieMae.com.

Sincerely,



Barry Feierstein

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