Champion Legislative Language Discussion Points

Language already exists for the sharing of student loan information:

FFELP Master Promissory Note: Borrower Certifications and Authorizations 14(F)(ii) states:

> "F. I authorize the release of information pertinent to my loans: (i) by the school, the lender, and the guarantor, or their agents, to the references on the applicable loans and to members of my immediate family unless I submit written directions otherwise; and, (ii) by and among my schools, lenders, guarantors, the Department of Education, and their agents."

Direct Loan Master Promissory Note, Section C: Borrower Request, Certifications, Authorizations, and Understanding (13, last bullet):

> "13. For each Direct Subsidized Loan and Direct Unsubsidized Loan I receive under this MPN, I make the following authorizations;
>
> (Last bullet) "I authorize my schools, lenders, guarantors, ED, and their agents to release information about my loan to each other."

Schools and their agents already have access to protected private information.

The Gramm-Leach-Bliley Act (GLB) under Title V – Privacy statue recognizes that there are circumstances in which the nonpublic information needs to and should be shared with non-affiliated third parties and spells out the requirements for doing so. This in conjunction with requirements captured in the Master Promissory Note meets both the intent and the letter of GLB.

Lenders, servicers, and guarantors refuse to cooperate <u>because they can</u>.

Schools are mandated to provide information to these entities; however, these entities are not mandated to provide information to the schools and their agents. When the schools are responsible for their default rates, they (and their agents) must have timely and free access to the information needed to properly counsel student loan borrowers to stay out of default status.

Budget cuts will have unintended negative consequences to student borrowers if the Champion language is not included in the legislation at the same time that budget cuts to the lending community become effective.

- Increased loan limits and decreased benefits for borrowers will exacerbate the risk for defaults.
- Budget cuts within the lending community will encourage a reduction of benefits that are not required (above minimum due diligence standards), like reductions in "free" borrower education programs, school programs, and servicing agents to help schools and their agents obtain critical student loan information for default aversion. *We are already seeing this.*
- Elimination of the "Exceptional Performer" incentives for lenders will take away benefits that have encouraged best practices in the past.
- *<u>Without legislative language that mandates cooperation between the lending community and the schools (and their agents), cohort default rates will drastically increase in this country.</u>*
- The students most affected will be those high-risk borrowers who attend career colleges, community colleges, HBCU's, HIS's, and any other institutions serving this niche. These students are those who the Higher Education Act was written for in the first place.

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