



August 5, 2013

Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray,

The Consumer Bankers Association (CBA), the Education Finance Council (EFC), the National Council of Higher Education Resources (NCHER) and the Student Loan Servicing Alliance (SLSA) are writing to urge the Consumer Financial Protection Bureau (the "Bureau") to immediately provide private student loan providers with a 30-day compliance grace period for lenders and servicers to make the necessary changes to their systems so they can accurately disclose the interest rates for federal student loans as required by the Truth in Lending Act (TILA). We are also asking that the Bureau assure our members that they will not be required to make confusing retroactive changes to any disclosures provided prior to or during the grace period based on current law.

When President Obama signs the Bipartisan Student Loan Certainty Act of 2013 (the Act) this week, it will be the second time in less than 45 days that the interest rate for subsidized Stafford loans has changed; moreover, it represents an immediate and broad shift in the entire interest rate structure for all Federal Direct Loans. This rapid change creates significant challenges for financial institutions and their service providers that are currently working with customers, especially for ongoing transactions with disclosures already in the pipeline.

The peak season for lending is upon us as students and their families put together the financing they will need to start school in the fall term (which for many colleges and universities begins in late August). Even though it was anticipated that a change might take place sometime this summer, it was far from certain that Congress would act until late last month, and it was impossible to know exactly what the ultimate compromise would look like. Loan providers and their vendors cannot institute systems changes without actually knowing if the change will occur, without knowing what the change will be, and without release of the official rates by the Department of Education.

While the legislative language is available, uncertainty remains as to how the final rates will be calculated with one or two decimal points. The rates could be 3.85%, 3.86% or 3.9% depending on rounding. Development work and necessary organizational and client approvals are all triggered by official publication of the rates.

Despite the fact that President Obama had not signed the measure into law as of this writing, our members have been moving as quickly as possible to prepare. But making these changes requires significant resources. Given that lenders have multiple application processes (electronic, paper and telephone) that must be changed and tested prior to implementation,

and that many lenders work with multiple vendors, we believe that a 30-day grace period is a very reasonable request. Regulatory compliance with all 54 disclosures for private student loans that are required by TILA regulations is obviously a top priority, but a high priority also has to be ensuring that our customers – students and their families – are not harmed by delays in processing their loan documents. Many institutions will not let borrowers attend classes until and unless all of their tuition and fees have been paid.

We would like to note that there is precedent for a transition period. When the Board of Governors of the Federal Reserve (the “Federal Reserve”) wrote the final private loan regulations in 2009, the lending and servicing community raised with the Federal Reserve staff the need for a transition period to accommodate loans in mid-process under the old TILA rules when the new disclosures became effective. This issue was recognized and accommodated by providing that compliance with the new disclosure rules was optional until February 14, 2010 (the mandatory compliance date under both the statute and the regulations), and clarifying in the official Staff Commentary that the rule would be applied to private education loan applications received on or after February 14, 2010. With respect to applications received prior to February 14th, compliance was optional, even if the loan was consummated after the required compliance date.

Since the Bureau has now been assigned the authority for regulation and enforcement of the TILA from the Federal Reserve, it seems both a reasonable and sensible path for the Bureau to provide lenders and servicers some short period of time to make these important and necessary changes without unfairly increasing the risk of lawsuits or adverse regulatory actions.

For that reason we ask that lenders and their service providers have 30 days from the enactment of the Act to update their TILA private student loan disclosures to reflect the changed Stafford and PLUS Loan structure and interest rates, and that they not be required to retroactively send borrowers modified disclosures to replace those that were otherwise lawfully provided prior to or during the grace period.

We thank you for your consideration and look forward to your quick action to resolve this current issue with fair and reasonable action.

Sincerely,

**Consumer Bankers Association
Education Finance Council
National Council of Higher Education Resources
Student Loan Servicing Alliance**