



The State PIRGs' HIGHER EDUCATION PROJECT

November 3, 2003

United States Senate
Washington, DC 20510

SUPPORT THE DURBIN AMENDMENT TO S 1753 TO REQUIRE FAIR REPORTING OF POSITIVE STUDENT LOAN PAYMENTS

Dear Senator:

The dream of home ownership is one that no young person should have to compromise. Unfortunately, millions of Americans who make timely repayments of their student loans are in jeopardy of paying higher mortgage rates, as well as higher credit card and auto loan rates, due to a recent Sallie Mae decision to stop reporting student loan information to all major credit bureaus. We urge your support for the Durbin amendment to S 1753, to ensure that young people can continue to share that American dream by requiring Sallie Mae and other higher education lenders to properly and completely positive student loan repayment histories.

Student loan repayment information can play a critical role in building an individual's credit history, especially for those under the age of thirty-five, who are most likely to have shorter credit histories. However, while the federal government reports information about student loan defaults, which would damage borrowers' credit scores, lenders are not required to report positive student loan repayment records to all credit bureaus. The result is that many recent graduates have their credit scores damaged by missing information.

Despite trading their customers' information among numerous subsidiaries, Sallie Mae fears the outside competition that results from the common credit bureau practice of selling "pre-screened" lists of consumers based on certain criteria to creditors. Unfortunately, in addition to preventing its student loan consumers from receiving offers from competitors, Sallie Mae's self-interested practice also prevents those consumers from getting fair rates when they choose to shop in the marketplace themselves and apply for credit.

A recent *Washington Post* article reported Sallie Mae's decision to stop reporting to most credit bureaus caused a borrower's credit score to drop by 40 points. As a result, this borrower's mortgage rate is now 1.5 percentage points higher, and he will pay an additional \$200 each month on his home mortgage because of non-reporting.

Many student borrowers already struggle to repay their loans, with the average undergraduate leaving school with \$17,000 loan debt, and the average graduate student entering the workforce with nearly \$50,000 of student loan debt. These borrowers should not face higher mortgage, auto loan, and credit card rates, simply because the biggest player in the student loan industry fears the competition that would result from credit bureau reporting.

We urge you to support mandatory reporting to credit bureaus for student lenders.

Sincerely,

Kathryn Rube
State PIRGs' Higher Education Project