



April 8, 2013

The Honorable Richard Cordray
Consumer Financial Protection Bureau
c/o Monica Jackson
Office of the Executive Secretary
1700 G Street NW
Washington, DC 20552.
Submitted via studentaffordability@cfpb.gov

Re: AAUW comments on private student loans; Docket No. CFPB–2013–0004

Dear Director Cordray:

On behalf of the more than 150,000 members and supporters of the American Association of University Women (AAUW), I am pleased to share AAUW’s comments on the Consumer Financial Protection Bureau’s request for information from private student loan borrowers.¹ Since its founding in 1881, AAUW has been committed to making the dream of higher education a reality for women. AAUW’s 2011-2013 Public Policy Program affirms our commitment to “increased support for, and access to, higher education for women and other disadvantaged populations.”²

AAUW supports the CFPB’s efforts to educate borrowers about loan and debt levels associated with higher education. Because student aid and family incomes have not risen at the same rates as college tuition, the dream of a college education has become more of a challenge in recent years, placing burdens on both students and their families and prompting about two-thirds of college graduates take out loans.³

Loan repayment is an even more significant burden for women, who earn less on average over the course of their lives than their male counterparts. In 2009, the average woman who worked full time earned just over 77 cents for each dollar earned by her male counterpart.⁴ AAUW’s 2012 report *Graduating to a Pay Gap*⁵ found that college-educated women working full time were paid an unexplained 7 percent less than their male peers were paid one year out of college.

Another AAUW report found this gap grew to 12 percent when men and women were out of college for 10 years out of college, even when they had the same major and occupation as their male counterparts and when controlling for factors known to affect earnings such as education and training, parenthood and hours worked.⁶ These findings suggest that sex discrimination not only continues to be a problem in the workplace, but that it affects the incomes of even the most educated women starting immediately out of college. Since women are more likely to borrow than men and will make less on average after graduation, female graduates are more likely to struggle with their debt to income ratio.⁷

AAUW believes the CPFEB should develop transparent, robust regulations that allow students to access critical private education loans while protecting students from unscrupulous or predatory lending practices. Higher education will only increase in importance in today's economy, and all students should have the opportunity to pursue their educational goals.

In its *Federal Register* notice, the CPFEB asked several questions about private student loans. AAUW posed these questions to our members and received many responses that illuminate the challenges of private student loans. The questions and responses from our members are listed below and should be considered when developing these policies. AAUW staff is available should you wish to follow up with any of these members for more information concerning their answers.

1. If you're struggling to repay your private student loan, what do you think is the main cause of that struggle? Do you think there's any way to predict whether people will struggle to pay off their loans?

- Loans are readily available but students are not well informed of how quickly repayment will need to begin and how stressful that is as you establish yourself in the workforce. – *Julie, Kansas*
- I took out a student loan for my son to go to a private school back in 2007. At the time I was making \$14.50 an hour. Little did I know I would get fired from my job of 5 years. I don't know whether it had to do something with the economy or my duties there, so no, I don't think there is any way to predict a person would fall into bad times and be unable to pay back the loan. – *Marcalla, Arizona*
- My main struggle to pay off a student loan is because mainly I don't have a job. If you don't have a job right way out of school or if you have to drop out of school is a way to predict whether or not you would be able to predict you could be able to pay back any loans. – *Jonice, Illinois*
- I'm speaking for my daughter. She is struggling to pay off her student loan because she's paid almost minimal wage and has not had a raise in many years working for the City of Dallas, Library, with no raise expected. New workers are hired at a higher rate of pay without degrees or experience. – *Linda, Texas*
- You can't tell completely, but attending a for-profit school that spends more on marketing than teaching is something to consider, as they are not trying to educate, gaining you a skill, but to take advantage of government student loans. – *Raymond, Maryland*
- Initially I had difficulties because the monthly payment was more than my rent, and employment in the field for which I took the loans did not pay enough to meet all my basic needs and allow me to pay the student loans. Later I became ill, and I am now disabled and unable to work at all. – *Sandra, Nevada*

- I'm unemployed and 52yrs. I've been struggling to pay back student loans indebted 25yrs. back. Though I have never filed for bankruptcy, I now have commercial-private loans totaling over \$15,000.00. Help me! - *John, Alaska*
- The main cause of my struggle to repay my student loans is my job loss and inability to obtain a new job that pays enough to cover all my bills. Do I think there's any way to predict whether people will struggle to pay off their loans? It depends on a person's circumstances. If you have a position or can get a position using your degree that pays enough to cover your bills there should be no problem paying back loans unless they are Adjustable Rate loans. That could be a huge problem. There is no way to budget for that much uncertainty. – *Margaret, North Dakota*
- As a 'later in life' graduate with outstanding student loans, it is imperative to protect the private loans. With the recession, many young and older students are caught in the gap of long term student loans that must be protected at a low interest rate. – *Kathy, Indiana*
- There are no good paying jobs for college graduates. The cost of private loans is too high & we will have bad credit & no able to live the American Dream without being given immunity. – *Sally, California*
- The main cause of this struggle is the interest rates that are applied. How is one supposed to pay off a debt when it doubles or triples every five to ten years? It's not rocket science, how are educated people supposed to stand for this? We take on a loan to better ourselves only to find out that instead the companies are actually profiting off our demise. – *Shavon, Florida*
- The cause of the struggle are the fees and collection amounts attached to the loan after going into default because I got injured, couldn't work, and didn't file a deferment. When the loan (s) goes in default, the collection agency can increase the amount to a "fair and reasonable" amount - which in my case was a total increase of 100% of what I've borrowed. Example: I borrowed \$27,000, they increased the principal to 54k overnight. Then the collection agency keeps the loan for one year, then sells the remaining debt to another agency, they add an additional 14k to the total. I have paid far more than I borrowed, but still owe 55,000 according to the payoff. That will mean, if I paid it off today, the total amount paid on 27,000 would be around 100,000. But because I can't afford to pay it off in one lump sum, it will just continue to be sold over and over and 14,000 will be added every time which means I will never pay it off. Garnishment is 15% of all my checks. If I try to enter a payment plan, they want \$1000 a month. I only make \$25,000 before taxes. The only choice I have is to let them garnish my wages. Garnishment is my only option. I don't buy anything other than food to prepare at home. Garnishment is 15% of my pay vs. the \$1000+ they want a month on the payment program... After normal taxes, combined with the 15% garnishment, I have no money left. – *Christopher, Kentucky*

- The 6.8% interest rate is what causes my struggle. I can buy a car at 0% because I have good credit, but student loan lenders capitalize on people and don't offer low rates. – *Maggie, Michigan*
- Payments are TOO HIGH. – *Jimmy, Pennsylvania*
- I had to take most of my disability payment and apply it to my 3 private loans from Nelnet. – *Mark, Arizona*
- There is no sure way to predict if people will be able to pay off their loans, but one sure way is that the loans repayment is affordable. Some of that will depend of what salary people have, and their monthly household income. – *Yvette, Minnesota*
- The main cause of my family's struggle is that we do not currently have the funds to make payments on my husband's student loans. His income was reduced drastically since 2010. Additionally the loan is too large (over \$280,000 from a starting point of \$40,000) largely due to the interest that kept building up on it -even at times during some periods of continuing education (prior to government taking over loans several years. I don't see a way to predict whether people will struggle to pay off their loans. We had a good income & did not foresee its loss. – *D.A., Pennsylvania*
- I was lied to about having a loan and by the time I found out, it had already started accruing interest. I think people struggle due to the economy, due to the fact they may not make enough money to live off of and pay off a loan. – *Charisse, Oklahoma*
- Unemployment and underemployment. I live in Illinois and my nephew lives in Massachusetts. His parents didn't have credit to co-sign his student loans. I had a good job at the time and fully expected my nephew to get a job when he graduated in December 2006 so I agreed to co-sign. He didn't find a job then and has been unemployed this whole time. In September 2008, I lost my job at the age of 61, and that is when the credit calls started. As a co-signer, I am liable for his loans. I am fortunate to have pensions and Social Security so I was able to retire. – *Shirley, Illinois*

2. What actions do you take to be able to repay the private loan each month? Do you change your lifestyle or living arrangements? Do you delay big purchases, like a car or house? Do you defer payment of other debts (like federal loans or credit cards bill) so you can repay your private loan?

- I used federal loan money to repay my private loan. – *Julie, Kansas*
- I have not been able to pay any of the loan, so it seems to be getting higher and higher. I call every year to get it extended. My lifestyle has been non-existent since I lost my job back in 2007. I went from \$14.50 to \$10.30 an hour, plus I don't work the full 40 hours a week. – *Marcalla, Arizona*

- I defer my payments until I am able to get back into school. – *Jonice, Illinois*
- My daughter pays the minimal required. She had to move with me, her mother, because she could no longer afford rent for a one bedroom apartment. Does not party, dine out, buy new clothes, go on trips or to concerts. No savings for a house. – *Linda, Texas*
- My private loans have been hard to work with and constitute a considerable amount of my monthly payments. They force me to delay large purchases and have lesser money to spend, which drives our economy. – *Josh, Minnesota*
- Absolutely, it changed my whole life & made me a slave to that debt. Do you delay big purchases, like a car or house? All purchases are delayed. Do you defer payment of other debts (like federal loans or credit cards bill) so you can repay your private loan? Yes. – *Raymond, Maryland*
- During the initial loan repayment, I would go out with friends for sushi and a couple drinks once a month. Other than that, all my money went to necessary expenses and student loan payments. I didn't even go out for coffee or to see movies, and I only purchased clothing through thrift stores. I gave up my car because I could not make the payments along with the student loan payments. I did not invest in or buy anything. – *Sandra, Nevada*
- I have never been able to achieve social mobility controlled by the cash-flow I've been able to maintain with commercial indebtedness. - *John, Alaska*
- I sold my house and moved out of the area in an attempt to continue to pay my bills including student loans. I have lowered my lifestyle, sold my house and moved out of the area to try and cover my bills. I am deferring all my big purchases indefinitely. I pay my bills off each month so I don't have extra debt to pay off. – *Margaret, North Dakota*
- My loan is a priority and achieving my degree was a lifelong goal. Each month it is a struggle to continue timely payments. – *Kathy, Indiana*
- I pay what I can. I have no car, walk to work, do not buy anything, but what is needed. – *Sally, California*
- I can't buy anything. I can't in good conscience get married and tie another person to my debt. I can't get a credit card. I live in an apartment because when they started garnishment, and I couldn't afford to pay my mortgage so I had to let the house go into foreclosure. Eventually filing bankruptcy to get away from the debt of the house because I could not repay it. I can't make big purchases. I don't have credit cards. – *Christopher, Kentucky*

- I am currently paying \$204 per month on my student loan. This has obviously affected my budgeting, there are times that my utility bills have gone late because I know that student loans are due. I am unable to make another large purchase because of my student loan. – *Maggie, Michigan*
- I have not started to repay the loans back, I don't have the money. – *Jimmy, Pennsylvania*
- I had to use the income adjusted action as I had no income prior to my disability payment. – *Mark, Arizona*
- Have tried and was repaying for a time. The income [I] made when the arrangement was made decreased significantly. – *D.A., Pennsylvania*
- I rely on my roommate for some financial help so I can make payments. My bills sometimes run behind because of my loan. – *Charisse, Oklahoma*
- To make the payments [for my nephew's loan which I cosigned], I have delayed purchasing a car to replace my 2002 car. The loan payments equal or exceed car payments. In addition, my house needed major plumbing repairs in 2012-2013. I had to deplete my savings to pay for those repairs. My dreams of travel in retirement are not being realized. In addition, since my nephew does not live with me, I am not allowed to deduct the payments from my income taxes. That's a large deduction that I could use instead of owing taxes. – *Shirley, Illinois*

3. Will your private student loan lender let you permanently or temporarily lower your monthly payments? If you've already done this, has it helped you stay current with your repayments?

- Even with the lowest payment they allowed me I still cannot make that payment. – *Marcalla, Arizona*
- No reduction in interest or payments. No end in sight. – *Linda, Texas*
- No, harassment is all they do. Makes no difference. – *Raymond, Maryland*
- They allowed me deferrals because I was under extreme financial hardship, during which the loans accumulated massive amounts of interest and fees. Once I ran out of deferrals the private loans defaulted, and have been ballooning ever since because I am currently making no money and have no way to independently feed or house myself, let alone attempt to pay debts. The federal loans are currently at \$0/month repayment because of financial hardship. – *Sandra, Nevada*
- As far as I know, "No!" – *John, Alaska*

- I have already had my payments lowered, twice. This doesn't really help me pay off my loan as the balance continues to grow. What it does is keep me out of bankruptcy since I cannot cover the entire loan amount I have. Until my circumstances improve this is my reality. – *Margaret, North Dakota*
- Not applicable at this time, but may be in the future. – *Kathy, Indiana*
- I have too many loans. The Cal Grant, I received in entering college was reduced. I counted on this money to pay tuition & live, while I graduated with a double major. – *Sally, California*
- Currently they say I do not qualify. My home is in foreclosure. – *Shavon, Florida*
- No. – *Christopher, Kentucky*
- The New York State Higher Educational Loan Services Corporation has sold my Guaranteed Student Loan & Auxiliary Loan to Assist Students to the Premiere Credit of North America in Indianapolis, Indiana. Despite the fact I told them that I've never financially benefited from this student loan and paying back a \$43,129.47 would cause severe financial hardship in many letters with supporting documentation, the Premiere Credit was garnishing my wages 15%. They make more money when a student defaults on their student loans. – *Charles, New York*
- My student loan was recently sold to another company and there are no options to lower the payment amount. – *Maggie, Michigan*
- No. – *Jimmy, Pennsylvania*
- Using the income option since I had no income and could only pay rent, utilities, phone, computer line, and groceries. No income to pay my loan amount. So I had to consolidate my loans. – *Mark, Arizona*
- I have not taken any actions to repay my loan yet because I am still in grad school. When I graduate, I am certain I will need and look for ways to lower my monthly repayment. – *Yvette, Minnesota*
- I don't believe so, because I have missed some payments. – *Charisse, Oklahoma*
- The loan payments were deferred for my nephew for a year. The payments then got backlogged when nothing was paid on the loans. [As a cosigner,] I had to pay off all the backlog and then the payments were reduced for a year. I've had to pay the full monthly amount for almost 2 years. – *Shirley, Illinois*

4. **Have you ever modified the terms of a private loan? How did you learn about the modification program? Would you change anything about this process, or do you think it should be adopted by other companies?**
- I never modified the loan. – *Julie, Kansas*
 - Yes, I did modify it to the lowest it could go. – *Marcalla, Arizona*
 - No modifications. Don't know how. Wish the interest rates and payments could be lowered, retroactively so that the debt could be retired. – *Linda, Texas*
 - Not on purpose, my loan was sold several times without telling me, with higher and higher interest rates, and when I was contacted I was unfamiliar with them and thought they wanted to loan money, so I tossed the letters assuming junk mail. How did you learn about the modification program? I didn't. The system is a failure, as it punishes those wanting to better themselves. – *Raymond, Maryland*
 - Sallie Mae has never spoken to me about loan modification. At this point their representatives are generally hostile and refuse to work with me unless I send them lots of cash. I have no cash. – *Sandra, Nevada*
 - Yes, I was able to consolidate the disparate liens. – *John, Alaska*
 - Consolidated to reduce interest rate. – *Kathy, Indiana*
 - Yes. I was told by a friend, but the reduction is still beyond the means of someone who makes \$8.00 an hour. I would give immunity to students, as immunity was given to banks, who took our friends & families, homes. – *Sally, California*
 - No. – *Christopher, Kentucky*
 - I have never modified terms, I was unaware that was even an option. – *Maggie, Michigan*
 - Should be forgiven, just like the feds loans. – *Jimmy, Pennsylvania*
 - I have consolidated a few loans so that the interest accrues on one loan instead of several. Also there is a lower payment option on the Sallie Mae website. I learned about it through a credit counselor while getting on a budget to pay some immediate credit card debt and create a more sensible budget. – *Yvette, Minnesota*
 - (As a cosigner,) I don't know anything about the modification, and I suspect that the company wouldn't deal with me. They get their money from me, but they will only deal with my nephew (who took out the loan). – *Shirley, Illinois*

5. Do you have an online account for monitoring your private loan? Is it useful, or are there things you'd change?

- They did have an online portal but it was very antiquated and not very helpful. The loan also changed hands a couple of times making things even more confusing. – *Julie, Kansas*
- I don't have an online account. – *Raymond, Maryland*
- I don't know of a good online tool. Sallie Mae's website is only useful if you want to make a payment. – *Sandra, Nevada*
- There is a web site to monitor my account but I call and visit with a person instead. Wandering around an unfamiliar web site can take days or weeks to navigate and even then you can't be sure you've gotten what you are looking for. – *Margaret, North Dakota*
- Yes, it's useful for the ability to monitor my student loan. – *Kathy, Indiana*
- Yes. It lets me know how much I owe, which to be honest, only scares me more. – *Sally, California*
- No. – *Charles, New York*
- I do not have an online account, I get paper correspondence from the lender, but I do have the payment billed from my checking account directly. – *Maggie, Michigan*
- The company won't allow me to have online access, and I have to make payments by check in the mail. They want their money but won't give me access! – *Shirley, Illinois*

6. How does your loan provider communicate with you? Email, voicemail, physical mail? Is it effective, or are there things you'd change?

- Email and regular mail was used to communicate and were adequate. – *Julie, Kansas*
- Physical mail. – *Marcalla, Arizona*
- Snail-mail. I prefer online communications and transactions. – *Linda, Texas*
- I feel it is harassment. – *Raymond, Maryland*
- They call my cell phone, sometimes on a daily basis. I opted for paperless early on, and don't know how to change that. – *Sandra, Nevada*
- Statements come in regular mail, monthly. – *John, Alaska*

- Physical mail works best for me. They send a letter, if I have questions I call and get somebody to explain it to me. – *Margaret, North Dakota*
- Email only, and yes, this is effective. – *Kathy, Indiana*
- They harass me on the phone & let me know by physical mail, that my interest keeps climbing, due to my need to pay off my loans, later. – *Sally, California*
- My loans are from the federal government originally, the only time they contact me is if the loan has been released by collection agency. – *Christopher, Kentucky*
- U.S. mail – *Charles, New York*
- Paper mail. It is fine. – *Maggie, Michigan*
- I have an online account for my loan and the site is simple to use and easy to understand. My loan provider communicates with me through email. – *Yvette, Minnesota*
- Not effective. We cannot pay, so we just bear & ignore. – *D.A, Pennsylvania*
- Physical mail. I would prefer if I could log into an account online and pay it but I don't believe they have an option for that. – *Charisse, Oklahoma*
- Physical mail. Of course, the original dunning calls were by phone. It's effective but not my preferred method of communication. I'd prefer email and online access. – *Shirley, Illinois*

7. Has your private student loan impacted your credit rating? If so, how do you know and what did it do?

- Not sure if it has been affected. – *Julie, Kansas*
- I never had a good credit rating to begin with, so I really don't know how I qualified for this loan, I was very surprised. – *Marcalla, Arizona*
- As far as I know it has not had a negative impact on my credit rating yet as she [daughter whose loan she co-signed for] has kept all payments current. Need help. Please. – *Linda, Texas*
- My student loans are my only debt, and the default and lack of payments have caused my credit rating to pretty much bottom out. I'm pretty sure a bankruptcy couldn't make it worse, but I can't declare bankruptcy because the student loans are my only debt. – *Sandra, Nevada*

- It has yet to diminish my credit rating, as far as I know, but my "score" is incrementally being "chipped-at" by the squeeze of my finances. I survive on an Social Security disability pension that doesn't cover my necessities therefore I'm continuing to dig deeper into debt. – *John, Alaska*
- I do not know if it has affected my credit rating. I have not missed a payment, only had them restructured. – *Margaret, North Dakota*
- Not that I am aware of, although it adds to the debt which lowers the overall credit score. – *Kathy, Indiana*
- It has made my credit poor. [I know this] because I had a bankruptcy attorney tell me it was on my record as 64 separate negative ratings. – *Christopher, Kentucky*
- I have never made enough money to have a successful marriage or have any children and the 1 wife that I did marry left me one year ago after the Educational Credit Management Corporation began to garnish my wages 15%. – *Charles, New York*
- It has affected my rating because it is an outstanding debt, but not because I have missed any payments. – *Maggie, Michigan*
- I can't get credit but I don't care. – *Jimmy, Pennsylvania*
- My credit rating may have been impacted by my loan, but since it is not in repayment status yet, I do not think so. More than likely my credit rating is from some credit card debt that I am almost finish paying off. – *Yvette, Minnesota*
- Yes. It has made my financial situation more difficult to handle & has put even more undue stress on my entire family because of higher premium payments for other things. Has also cost several jobs that were applied for. – *D.A., Pennsylvania*
- Yes. I've been denied jobs and credit cards because of this. – *Charisse, Oklahoma*
- It certainly did when they weren't being paid! My credit is good now, but I'm making the payments. If I have to stop, it'll tank again. – *Shirley, Illinois*

As you can see, there is a clear and compelling need for robust regulation of private student loans to protect students and their economic futures. In addition to comments answering the CFPB's questions, AAUW received stories from individuals about their student loan experiences. These responses are attached to the correspondence to the CFPB.

Thank you for the opportunity to submit comments on this important issue. I look forward to working with you to advance higher education. If you have any questions, please feel free to contact me at 202-785-7720, or Beth Scott, regulatory affairs manager, at 202-728-7617.

Sincerely,



Lisa M. Maatz
Director, Public Policy and Government Relations

¹ The Federal Register. (February 27, 2013). *Request for Information Regarding an Initiative To Promote Student Loan Affordability*. Retrieved April 4, 2013, from www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04419.pdf

² AAUW. (June 2011). *2011-13 AAUW Public Policy Program*. Retrieved January 5, 2012, from www.aauw.org/act/issue_advocacy/principles_priorities.cfm

³ *The New York Times*. (April 11, 2011). *Burden of College Loans on Graduates Grows*. Retrieved April 12, 2011, from www.nytimes.com/2011/04/12/education/12college.html?_r=2&hp.

⁴ U.S. Census Bureau. (September 2010). *Income, Poverty, and Health Insurance Coverage in the United States: 2009*. Retrieved February 23, 2011, from www.census.gov/prod/2010pubs/p60-238.pdf.

⁵ AAUW. (2012). *Graduating to a Pay Gap*. Retrieved April 4, 2013, from www.aauw.org/files/2013/03/Graduating-to-a-Pay-Gap-The-Earnings-of-Women-and-Men-One-Year-after-College-Graduation-Executive-Summary-and-Recommendations.pdf

⁶ AAUW. (2007). *Behind the Pay Gap*. Retrieved August 11, 2011, from www.aauw.org/learn/research/behindPayGap.cfm.

⁷ Price, Derek V. (2004). *Borrowing Inequality: Race, Class, and Student Loans*. Boulder, CO.