



**National Association for  
College Admission Counseling**

*Guiding the way to higher education*

---

## Policy Brief: Private Student Loans and TARP Reform

### Background

One of the research-based policy principles that govern NACAC's advocacy and legislative recommendations is improving access to need-based student aid for all students. Research conducted by NACAC and in concert with coalition partners shows that investment in need-based aid has the most positive impact on improving college access for the neediest students. Additionally, research also shows that students of all socio-economic backgrounds are increasingly dependent on loans to finance higher education. As that dependency grows, the share of students' loan debt from private sources is also growing.

#### NACAC's Statement of Principles of Good Practice (SPGP) Core Values:

*"to serve students responsibly, by safeguarding their rights and their access to and within postsecondary education."*

#### SPGP Member Conventions:

*"members will make protecting the best interests of all students a primary concern in the admission process."*

Several provisions in recently passed legislation (including the *Ensuring Continued Access to Student Loans Act*, PL 110-227 and the *Higher Education Opportunity Act*, PL 110-315) addressed protections for student borrowers and new restrictions on private lenders. The Treasury Department has committed to spending a portion of the \$700 billion bailout package authorized by the *Emergency Economic Stabilization Act* of 2008 (PL 110-343) on rescuing the private loan industry. The *TARP Reform and Accountability Act* (HR 384) was introduced in the 111th Congress and amends PL 110-343 to allow the Treasury Secretary the authority to implement accountability provisions as a condition for receiving bailout funds.

### NACAC Recommendations

In light of the disadvantageous terms for students that private loans often present, funds under PL 110-343 to aid private lenders and finance loans to students should not be disbursed without consumer protections in place. Without such accountability measures, bailouts for private lenders may be detrimental to students and consumers rather than help solve the college affordability problems intensified by a weakened economy. NACAC and its coalition partners recommend that the Secretary of the Treasury implement the following safeguards:

- Loan modification and/or work-out requirements, such as reductions in principal and economic hardship deferrals, for current and future private student loans;
- Discharges in cases of borrower death or severe disability for current and future private loans;
- Limits on interest rates, origination and other fees for future loans;
- Mandatory loan certification and inclusion of the [FTC holder notice](#) for future loans; and
- Detailed data reporting on individual future loans replicating the reporting required for FFELP loans pursuant to [section 1092b\(a\) of 20 USC](#).

## Our Partners

The Project on Student Debt  
<http://projectonstudentdebt.org>

American Association of Collegiate Registrars and Admissions Officers (AACRAO)  
<http://www.aacrao.org>

American Association of State Colleges and Universities (AASCU)  
<http://www.aascu.org>

National Association of Student Financial Aid Administrators (NASFAA)  
<http://www.nasfaa.org>

US Public Interest Research Group (PIRG)  
<http://www.uspirg.org>

United States Student Association (USSA)  
<http://www.usstudents.org>

For more information on recent developments regarding private loans, college affordability, and NACAC action on this issue, please visit <http://www.nacacnet.org/Legislative-Action/LegislativeNews/Pages/TARP.aspx>.