June 24, 2013

The Honorable Tim Johnson
Chairman
Senate Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Michael Crapo
Ranking Member
Senate Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Johnson and Ranking Member Crapo:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, I write today with respect to tomorrow's hearing "Private Student Loans: Regulatory Perspectives." Given the partnership many students have with their community-based financial services provider, credit unions are closely following agency rulemakings that would have unintended consequences for credit union lending. Accordingly, NAFCU applauds the Consumer Financial Protection Bureau (CFPB) exempting credit unions from its recently proposed rule, Defining Larger Participants of the Student Loan Servicing Market, and will continue to monitor this issue.

While NAFCU understands and supports a federal focus on for-profit colleges that may be misleading prospective students, we urge great caution in considering broadly written legislation or agency rule writing that could hamper the ability of credit unions to make student loans to their member-owners. For many, student loans may be the first serious financial commitment they make. At credit unions, private student loans are often coupled with unparalleled personal and responsible financial education that allows members to make educated decisions about what is right for their particular circumstances. Furthermore, credit unions have every incentive to work with students in a productive manner as they are likely to have more complex financial needs in the future such as the desire to purchase a home or automobile.

The National Credit Union Administration recently wrote an article in their March edition of the *NCUA Report* stating that the private student loan market nationwide has a total delinquency (loans past due more than 60 days) of 5.4%, while the total delinquency for credit unions is significantly lower at 1.46%. Unlike other financial institutions, credit unions are philosophically, structurally, and financially incentivized like no other financial institution to be responsive to the individual needs of its members. Again, credit unions work with their members to ensure they are in an appropriate product and have an interest in building a life-long financial relationship with that individual.

In addition, private student loan servicing is a particular strength of credit unions because of the cooperative and member driven nature of the way they do business. In the 2012 Annual Report of the CFPB Student Loan Ombudsman, credit unions were lauded for the small number of complaints stemming from borrowers of private student loans and when referring to credit unions the ombudsman stated, "Increased participation by small financial institutions might benefit the market."

Thank you for the opportunity to share our views on private student lending and how credit unions are able to fill a void for college students that need to secure funding beyond what is available to them through public student loans. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Senior Associate Director of Legislative Affairs, Jillian Pevo at (703) 842-2836.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Banking Committee