

May 25, 2017

The Honorable Gary Peters
U.S. Senate
724 Hart Senate Office Building
Washington, DC 20510

The Honorable Shelley Moore Capito
U.S. Senate
172 Russell Senate Office Building
Washington, DC 20510

Dear Senators Peters and Capito:

The National Council of Higher Education Resources (NCHER), representing state, nonprofit, and private organizations that assist students, parents, borrowers, and families pay for the costs of postsecondary education, is pleased to support S. 1066, the Federal Adjustment in Reporting (FAIR) Student Credit Act, which would allow private education loan lenders to remove the default record from a borrower's credit report when he or she completes a series of on-time payments and rehabilitates the education loan. This important bill will help struggling borrowers quickly recover from the serious consequences of default.

The federal government's main program for assisting defaulted borrowers struggling to repay their federal student loans is loan rehabilitation. Under the program, defaulted borrowers who make nine voluntary, on-time payments over a 10-month period can have their student loans rehabilitated, regaining all benefits of federal financial aid programs including eligibility for additional federal grants and loans. Just as important, the default status is removed from the borrowers' credit reports and they are no longer subject to wage garnishment or tax refund offset. This provides a powerful incentive for borrowers to undertake what is needed to rehabilitate their federal student loans.

Even though federal regulators strongly recommend that private education loan lenders help distressed borrowers, these lenders lack the ability to remove the borrowers' default record if they offer a comparable loan rehabilitation program. According to a report released by MeasureOne, the annualized default rate in the private education loan market experienced by the six largest lenders and holders stood at 1.9 percent as of September 30, 2016. While these figures are significantly lower than the 11.3 percent cohort default rate on federal student loans, private education loan borrowers should have the same ability to clear their default record as federal borrowers and private lenders should have the ability to assist their customers under similar terms and conditions as the federal government.

NCHER commends you for your leadership in assisting struggling borrowers get the help that they need to get out of default. Our organization and membership are pleased to endorse S. 1066 and to assist in its passage in the 115th Congress.

Sincerely,



James P. Bergeron
President