Wendy Macias
US Department of Education
1990 K. St. NW, Room 1990
Washington, DC 20006

May 21, 2013

RE: Docket #: ED-2012-OPE-0008

To Whom It May Concern,

Thank you in advance for your consideration of my remarks.

I'm Christine Lindstrom, Higher Education Program Director for the U.S. Public Interest Research Group (U.S. PIRG). We're a federation of state-based consumer organizations with 75 college campus chapters across the country.

Students are now graduating with an average of $27,000 in loan debt, and the country has hit over $1 trillion in loan debt, which has negative consequences for individual borrowers as well as for the social and economic health of the country. Therefore, I ask that, during this round of rulemaking, the Department of Education act on several items that are important to drive down costs for our student members and to protect them as consumers.

The first is campus debit cards. The U.S. PIRG Education Fund released a report last year, the *Campus Debit Card Trap*, which detailed the extent to which students are using debit cards of many kinds on campus with very little consumer protection. We estimated that 9 million students now have campus debit cards. Most receive their financial aid refunds on these cards, which hit students with high fees that can be hard to avoid, and deducts those fees from their aid. For these students, access to their federal financial aid is now controlled by private financial institutions, which use monetary controls and impose other limits on those students to generate profit. In the report we raised a number of problems that can be solved with stronger rules from the Department of Education and we look forward to engaging on those concerns, as the Department has already agreed to raise these issues in the upcoming negotiation.

However, students are being over-charged now to access their aid, and simply cannot wait until July 2015 for final rules to be implemented. Therefore, we ask that the Department act swiftly to further define rules around debit cards where they already exist. Specifically, the rule surrounding the placement of ATM machines on campus states that access should be 'fee free' and that students should have 'convenient' access. Because these criteria are not defined, financial institutions are able to comply with the rule, yet violate the spirit of it. In one example, the financial institution simply located one ATM on one campus, despite the fact that the college has nine campus locations in total. Thus the company generates a windfall in profit from foreign ATM surcharges that students pay with their aid dollars. By issuing further guidance now, the Department of Education can remedy this problem as soon as this Fall for the incoming class.

If the ATM issue can be expedited then we can spend valuable time in negotiation dealing with new dynamics in the marketplace that aren't touched upon in statute. For instance, companies are engaging in aggressive marketing tactics such as sending debit cards to all students before they have even made a choice to have one, essentially making the decision for them.

Second, I'd like to add U.S. PIRG to the numerous voices you are hearing today praising the Department of Education for its on-going efforts to rein in student abuse at for-profit colleges by defining the 'gainful employment' criterion through which colleges can access financial aid dollars on behalf of their students. For-profit colleges leave students with too much debt – nearly 1 in 5 students from a for-profit college default on their loans -- so a strong rule helps curb the abuse. U.S. PIRG found the initial gainful employment rule to be weaker than it could have been initially, but we agreed with the overall framework, including the debt-to-income metrics. We urge you to stand by that framework, tweak it slightly to satisfy the courts, and to further strengthen the rule.

Another part of the solution is to buttress borrowers from manipulation of the '90/10' rule by for-profit colleges. Private loans have become more important over the past decade to finance higher education, in conjunction with the rise in for-profit colleges. By law, for-profit colleges can earn up to 90 percent of their revenue from government aid; the other 10 percent has to come from other sources. For-profit college targets students with little savings or accumulated wealth, so 'other sources' translates to private loans.

For-profit colleges push students into private loans without taking into account their need or ability to repay. Since these schools need the 10 percent in private revenue on their books, they are motivated to push expensive, risky loans on students. Given that these loans carry none of the consumer protections built into federal student loans, they are much more likely to create financial distress for borrowers.

In short, the Department of Education has a fundamental role to play in reining abusive practices that have contributed to the country's current student debt crisis. Please make this upcoming round of rulemaking a defining one in terms of taking bold and necessary steps to alleviate that debt.

Sincerely,

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