

Dear Representative:

The undersigned organizations and companies are writing to express our strong and united opposition to an amendment by Representative Davis (D-IL) to the "College Opportunity and Affordability Act of 2007" (H.R. 4137).

The amendment changes the Bankruptcy Code in a way that will add uncertainty and additional risk to student lending. This will further restrict the availability of credit at a time when students are already finding it harder to find loans due to a credit crunch.

Current law allows student loans to be discharged in bankruptcy if "undue hardship" can be shown. This policy protects truly unfortunate borrowers while at the same time preserving the integrity of the bankruptcy system. This balanced federal policy is designed to ensure that a sufficient volume of loans are available to meet the financial needs of students across the country, and it has worked.

The Davis amendment would undermine this policy by allowing private sector student loans to be discharged five years after starting to make payments without a showing of "undue hardship". Under the amendment, federal or federally-guaranteed loans could still be discharged only upon a showing of undue hardship. In contrast, students taking out private loans could run up thousands of dollars in private loans, carry them without having to pay interest while in school and then walk away after making payments for just five years even if the student has the clear ability to repay the loans in full. Moreover, it is retroactive and will apply to existing as well as future student loans. As a result, the bankruptcy system would be opened to abuse.

Enactment of the Davis amendment will force lenders to either stop making private student loans or find some way to offset the increased risk. These offsets could mean raising interest rates, or reducing the term of the loan (perhaps to 5 years) which would increase monthly payments. None of these changes would benefit students. We strongly urge you to reject the Davis amendment.

American Bankers Association
American Financial Services Association
American General Financial Services
Bank of America
Citigroup
Consumer Bankers Association
The Financial Services Roundtable
Huntington Bancshares
HSBC
Independent Community Bankers of America
Mortgage Bankers Association
National City Corporation
Securities Industry and Financial Markets Association

U.S. Bank
U.S. Chamber of Commerce
Wachovia Corporation
Wells Fargo & Company