EDUCATION FINANCE COUNCIL

December 6, 2010

Honorable Mary L. Schapiro, Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

VIA ELECTRONIC MAIL

RE: Education Finance Council Comments on File No. 4-610

Dear Chairman Shapiro:

The Education Finance Council (EFC) submits the following comments for the Securities and Exchange Commission field hearing to examine the municipal securities market. EFC is the trade association representing state-based and not-for-profit student loan providers; many of which function as municipal issuers. State-based EFC members are instrumentalities of a particular state and thus fit squarely under the definition of municipal issuers. As such, EFC and its members have a keen interest in ensuring SEC's Office of Municipal Securities (OMS) drafts and implements policies that do not inhibit the abilities of municipal student loan providers to issue new bonds and refinance existing ones in order to fulfill their mission of increasing access to and completion of higher education.

For decades, municipal student loan issuers have issued revenue bonds that have allowed them to provide access to higher education funding for thousands of students and families. The past few years, have been uncharacteristically difficult for issuers. In 2008, both the auction rate securities (ARS) market and the variable rate demand bond market (VRDB) experienced extreme disruption and many issuers were unable to originate new student loans or refinance existing student loan bonds. However, these were market failures; not problems with the quality of the underlying student loan asset. Currently, many issuers in the market are refinancing broken ARS and VRDB structures with Floating Rate Note (FRN) structures. EFC strongly encourages the SEC not to disrupt the marketplace by creating regulations that would inhibit municipal issuers from utilizing the most appropriate financing structures to generate liquidity. The issue of municipal security disclosure affects both issuers as well as investors.

EFC looks forward to working with the OMS as it evaluates the current state of disclosures and implements new guidance and regulation. EFC urges the OMS to work with the student loan issuer community to promote disclosures that provide the appropriate information to investors without creating unnecessary burden. EFC does not support efforts to erode the exemptions for municipal student loan securities from the Securities Acts. Such a fundamental policy shift is unnecessary because under the current legal framework, municipal student loan issuers utilize financing structures that are aligned with investor interests. For example, the issuers already retain risk by virtue that they use structures that are "on balance sheet" rather than housed in bankruptcy remote special purpose vehicles. Further, the fact that residuals are not paid to the issuer until the termination of the bond trust estate means that any first loss resides with the issuer, not the investor.

EDUCATION FINANCE COUNCIL

Municipal student loan issuers are key stakeholders in increasing the percentage of higher degree attainment. EFC is hopeful that as the SEC develops the policy agenda for the OMS, it takes steps to actively engage municipal student loan issuers so that students and families will continue to benefit from the financing options and student support services they offer.

Sincerely,

Vince Sampson
President