



SLSA Comments on SEC Regulation AB Proposed Rule
File Number S7-08-10
Asset-Level Disclosures

The following comments are from the Student Loan Servicing Alliance (SLSA) in response to the SEC's Proposed Rules for 17 CFR Parts 200, 229, 230, 232, 239, 240, 243, and 249, File No. S7-08-10, published in the May 3, 2010 *Federal Register* (referred to hereafter as the "proposed rules").

SLSA is a non-profit trade association made up of over 30 major student loan servicers whose members service more than \$427 billion in federally guaranteed student loans for approximately 25 million borrowers. In addition SLSA members service almost \$85 billion in private education loans for approximately 5 million borrowers. Our comments are limited to the proposed requirements for asset-level disclosure inasmuch as loan servicers will be required to provide much of this information.

There is concern in the student loan community that compliance with the proposed requirements for asset-level disclosure will be too burdensome for issuers and servicers in terms of the marginal benefit to investors -- particularly in federal student loans, which typically carry lower investment risks than other asset types. In addition, because of the way that student loans are structured, many of the general asset-level disclosures contained in Schedule L, Table 1 cannot be made for individual student loans in a way that will facilitate investor understanding of the securitization.

The Higher Education Act of 1965 (HEA) and its implementing regulations have created a unique and prescriptive loan structure intended to benefit student and parent borrowers; these loans do not fit the life cycle of other consumer loans. Structural characteristics of student loans can lead to changes in the loan parameters over time. Examples of such characteristics include multi-part disbursements, the long and changeable nature of the in-school period, and payment relief mechanisms like forbearance and deferment which result in redisclosure of the loan partway through its life.¹ These changes are part of the normal

¹ One example is the difficulty of accurately disclosing information related to loan term at the individual loan level. In order to enable students to finish school and have time to find a job, borrowers of Federal loans are not required to make any loan payments while they are in school on at least a half-time basis and for 6 months thereafter (the grace period). When a lender originates a student loan, it does not know how long that particular student borrower may stay in school; it could be less than one year, it could easily be four years or more. When borrowers enter repayment after school, they are allowed to choose among several repayment options depending on the amount of their debt, and the amount of money that they are earning; these repayment options carry varying loan terms. Borrowers may change repayment options (and therefore the loan term) at least once a year. Even when a borrower has chosen a repayment term, if he/she is eligible for a

course of business in student loan servicing, and those familiar with the industry understand that this is the case. However, provided at the loan level to investors, the loan-level data could lead to confusion and additional, unnecessary costs for the investor and issuer.

Many private education loan programs are modeled on the federal loan program requirements in order to make it easier for student loan borrowers to understand and repay their student loans. Therefore many of these same issues and limitations are applicable to private education loans.

SLSA believes that the proposal to require asset-level disclosure is not appropriate for student loans. Student loan asset pools are more like credit card asset pools than automobile loan or mortgage pools. According to the President's Budget for FY 2011, the average federal Stafford subsidized loan was \$3,508 in FY 2010, and the average federal Stafford unsubsidized loan was \$4,481. The typical small size of student loan assets and the number of assets in a typical securitization mean that the volume of data will be almost as overwhelming as that for credit card securitizations, and likewise the provision of granular asset-level information will not be useful to investors but will be terribly burdensome for issuers and servicers. In addition, some of the fields identified in the Commission's proposed rule are not appropriate, while there are other material loan attributes that the Commission has omitted.

A better way to capture these attributes would be through grouped data (representative lines or "replines") that allow the investor to analyze and model the relevant loan attributes and track loan groupings over time based on salient characteristics, without getting bogged down in the migration of individual loans and how servicing practices get reflected in the loan data. A typical student loan securitization contains hundreds of thousands of student loans, and the current proposal for asset-level disclosure would hamper an investor's ability to access, use and model this data in a timely and useful manner, especially with multiple data files being produced as frequently as monthly. In addition, the creation of repline grouped data would eliminate any concern around the disclosure of borrower nonpublic personal information (NPI) or the concern that one could derive NPI from servicer loan level data.

SLSA endorses the concept of a repline data layout, similar to what has been proposed by Sallie Mae, which is attached to these comments as an attachment and which provides the relevant term parameters that facilitate cash flow modeling. Because of structural characteristics of student loans where the terms for a subset of the population may change over time, a loan-level view risks getting too far "in the weeds" whereas grouped aggregated repline data provides the right balance of detail vs. ease of use. The proposed layout would be the same for both federal and private education loans (with the servicer able to indicate those data points that aren't applicable to the particular type of loan in the pool), and the same data layout would be used for the initial prospectus and all disclosures

deferment or forbearance, then the loan term is extended for the period of deferment or forbearance. While there is predictability over an entire portfolio of loans, loan term is difficult to report accurately at the individual loan level due to the fact that it can change so frequently.

thereafter in order to provide a consistent and more useful disclosure format for investors and to reduce the burden on issuers and servicers.

SLSA offers the following comments on specific item numbers in the asset-level disclosures contained in Tables 1 and 8 (Schedule L Items 1 and 8). These comments are intended to provide a more detailed explanation of why many of the proposed asset-level disclosures are not appropriate for student loans.

Comments on specific item numbers in Table 1:

Item 1(a)(4): If the loan has been sold, the current holder/servicer may not know the identity of the originator.

Term 1(a)(6): The original asset amount may change because of changes requested by the school or borrower between the time of the first disbursement and the date of final disbursement. Further it can continue to change for up to 180 days after the academic period for which the loan is made is over.

Item 1(a)(7): The original asset term is not knowable until the student loan borrower goes into repayment. For FFELP loans, as long as the borrower is in school (plus a six-month grace period), no payments are required, and the borrower is not required to choose a repayment plan, which determines the asset term. For a typical undergraduate at a 4-year institution, the in-school/grace period is 4.5 to 6.5 years (depending on how long it takes the borrower to complete), and if the borrower goes onto graduate school immediately, then it could be much longer. Many Private loans mirror the FFEL program; others have different non-payment periods.

For this item and the other term-related items, the attached repline data layout proposal would provide the information as it appears on the loan at each data reporting period, but not the “original” asset term since it is subject to the issues suggested here. At the repline level, we believe this will be relatively stable even if there are individual loans whose terms are changing as a result of the issues noted

Item 1(a)(8): See response to Item 1(a)(7). Likewise the asset maturity date cannot be disclosed accurately for an individual loan until the borrower enters repayment and chooses a repayment plan. Further, every time that the borrower requests and receives a deferment or forbearance, the asset maturity date will be extended by the length of the deferment or forbearance.

Item 1(a)(9): See responses to 1(a)(7) – 1(a)(8). The original amortization term is not knowable until the borrower goes into repayment, and is not reliable because of the borrower’s ability to change repayment plans, and to obtain deferments and forbearances, each of which will change the amortization term. If the loan has been sold, the current holder/servicer may only know the current term, not the original term.

Item 1(a)(13): See responses to 1(a)(7) – 1(a)(9). How many months of interest-only payments are permitted will depend on such factors as the repayment plan chosen by the

borrower and whether the borrower requests and receives an interest-only forbearance at one or more points during the life of the loan. The number is not knowable in advance.

Item 1(a)(14): See response to 1(a)(7). The first payment date is not knowable until the borrower completes school and enters repayment.

Item 1(a)(16) and (17): The amount of the servicing fee is confidential and proprietary business information. Moreover, servicing fees in many cases are not tracked or calculated at the loan level but rather at the pool level. Because the purpose of the asset-level disclosure should be to focus on the asset cash flow and performance drivers, and because servicing fees and advances are not properties of individual loans that are stored on the servicing system, these attributes should not be included in the loan level or repline file but should be disclosed in some other manner.

Item 1(b)(6): The HEA's implementing regulations provide that if a monthly payment is within \$5 of the full scheduled payment amount, then the servicer must advance the payment due date (as if the full payment were made). Most servicing systems are built to accept this \$5 tolerance and therefore may report inaccurately that a payment is not past due, when for purposes of the loan-level disclosures, the "full scheduled payment" was not in fact made.

Item 1(b)(8): If the borrower is still in school, it is impossible to accurately disclose the remaining term to maturity. See response to 1(a)(7) – 1 (a)(9). Even if the borrower is in repayment, the remaining term to maturity can be affected by changes in repayment plans, as well as deferments and forbearances.

Comments on specific item numbers in Table 8:

Item 8(a)(1): Only loans made under the Federal Family Education Loan Program (FFELP) are subsidized. This disclosure should be limited to federal loans. In addition, a single FFELP consolidation loans may contain underlying loans which are a mix of subsidized and unsubsidized. The loan is therefore partially subsidized, and it would be misleading to answer "1 = Subsidized" for a consolidation loan which is not fully subsidized. Repline disclosure would address this issue by providing, for each FFELP loan compressed data line, the percentage of loans in that data line that are subsidized.

Item 8(a)(2): Except for #4 (interest-only period), these appear to be FFELP repayment options. However, there are two FFELP repayment options and a type of FFELP loan that were not included in the list: Extended Repayment, Consolidation, and Income-Based Repayment (IBR). All of these involve repayment options that extend the loan term, some dramatically. For example, high-balance consolidation borrowers are eligible to repay their loans over up to 30 years. Borrowers qualifying for IBR are required to make payments based on their income, and payments may be as low as \$0.00 per month. In addition, borrowers in IBR may be eligible for loan forgiveness after 25 years of qualifying payments. Private loans typically offer some, but not all, of these repayment plans.

Item 8(a)(3): Year in repayment may be the only disclosure in connection with loan term that a lender can make with any accuracy concerning individual federal student loans. See comments above on Items 1(a)(7) – 1(a)(9) in Table 1.

Item 8(a)(4): Only FFELP loans involve a guaranty agency.

Item 8(a)(5): Both FFELP and private loans are disbursed in multiple installments, generally at the request of the school. It is unclear whether the date of the first disbursement or the date of the final disbursement is intended here. We would recommend that the first disbursement date be controlling.

Item 8(b)(2): We are very concerned that, especially in less populous areas, the personal privacy of individual student and parent borrowers might be compromised by use of Metropolitan and Micropolitan Statistical Areas to designate geographic location. The attached repline data layout proposal entails disclosure of the top 10 states in aggregate (similar to what is suggested for the credit card grouped data in the proposed rule).

Item 8(b)(3): Some of the codes proposed by the SEC, particularly continuing education and K-12, do not make sense in the context of student loan securitizations. The attached repline data layout proposal would use alternate codes (4-year, 2-year, proprietary, other) which are generally coded by the Department of Education and therefore standard across servicers, and which have more meaning to issuers and investors.

Items 8(c)(1) through 8(c)(20): In terms of burden, it should be noted that none of the information requested for private education loan borrowers and co-signers (credit score type and number, income verification, employment verification, asset verification, length of employment, wage income, other income, total income) is stored on the servicing system. FICO score is by far the most widely used credit measure for private education loans. The attached repline data layout proposal would provide the “winning” (i.e., higher) FICO score as between the borrower and cosigner (if applicable). The FICO score would be measured as of both origination (i.e. the score driving the initial credit decision) and an updated score. However, with respect to the series of other underwriting indicators (income used, income verification method, etc.) this is not loan-level data, but rather flows from the credit policy the issuing organization had in place at the time. Since these are not loan level attributes and are not stored on the servicing system, they are not appropriate for asset-level disclosure.

We wish to thank the Commission for the opportunity to provide comments on the asset-level disclosure requirements contained in the proposed rule. Should you have any questions or wish to discuss these comments further, please contact Winfield P. Crigler, Executive Director of the Student Loan Servicing Alliance (SLSA), at (202) 955-6055.

Attachment: SEC Student Loan Repline Data Layout Proposal

Student Loan Repline File (Origination and Recurring)

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
Item 1(a)(3)	Asset group number. For structures with multiple collateral groups, indicate the collateral group number in which the asset falls	Number	General information about the asset
	Federal/Private loan indicator. Indicate whether the loan is made under the federally guaranteed student loan program, or by a private lender without a federal guarantee.	1=Federal 2=Private	General information about the asset
Item 1(a)(5)	Origination date. Provide the date of asset origination. For revolving asset master trusts, provide the origination date of the receivable that will be added to the asset pool.	Year (Calendar)	General information about the asset
Item 1(a)(6)	Original asset amount. Indicate the dollar amount of the asset at the time of origination.	Number (Sum)	General information about the asset
Item 1(a)(11)	Interest type. Indicate whether the interest rate calculation method is simple or actuarial.	1=Simple 2=Actuarial	General information about the asset
Item 1(a)(12)	Amortization type. Indicate whether the interest rate on the asset is fixed or adjustable and the index type for adjustable rates.	1= Fixed 2=Adjustable: Prime 3=Adjustable: LIBOR 4=Adjustable: T-Bill 5=Adjustable: Other	General information about the asset
Item 1(a)(15)	Primary servicer. Identify the name or MERS organization number of the entity that services or will have the right to service the asset.	Text or Number	General information about the asset
Item 1(a)(20)	Measurement date. The date the loan or asset-level data is provided in accordance with Item 1111(h)(1) of Regulation AB	Date	General information about the asset
Item 1(b)(2)	Current asset balance. Indicate the current outstanding principal balance of	Number (Sum)	General information about the asset

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
	the asset.		
	Current interest balance. Indicate the current outstanding interest amount.	Number (Sum)	General information about the asset
	Capitalized interest. Specify the balance of interest accrued to be capitalized at the end of the reporting period.	Number (Sum)	General information about the asset
	Current interest index value. For adjustable rate loans, indicate the current value of the interest rate index.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Current interest rate margin. For adjustable rate loans, indicate the margin above the interest rate index.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Interim interest rate margin. Indicate the margin above the interest rate index while the loan is in interim status.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Repayment interest rate margin. Indicate the margin above the interest rate index while the loan is in a repayment status.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 1(b)(3)	Current interest rate. Indicate the contractual interest rate on the asset.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Current effective interest rate. Indicate the interest rate on the asset, as reduced by borrower interest rate discounts.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	SAP Index. For FFELP loans, indicate the basis for SAP payments.	1=T-Bill 2=Commercial Paper	General information about the asset
	Interim SAP. For FFELP loans, indicate the SAP margin while the loan is in interim status.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Repayment SAP. For FFELP loans, indicate the SAP margin when the loan is in a repayment status.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Floor rebate indicator. For FFELP loans, indicate whether floor income is required to be submitted to the Department of Education.	1=Yes 2=No	General information about the asset

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
	Grace period. Indicate the length of the grace period.	Number (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 1(b)(4)	Current payment amount due. Indicate the next total payment due to be collected.	Number (Sum)	General information about the asset
Item 1(b)(6)	Number of days payment is past due. If an obligor has not made the full scheduled payment, indicate the number of days between the scheduled payment date and the report date.	0=0-30 1=31-60 2=61-90 3=91-120 4=121+	General information about the asset
Item 1(b)(8)	Remaining term to maturity. Indicate the number of months between the report date and the asset maturity date.	Number (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 8(a)(1)	Subsidized amount. For FFELP loans, indicate what proportion of the loan grouping is subsidized or unsubsidized.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the student loan
	Risk sharing. For FFELP loans, indicate the amount of risk sharing paid, net of the guarantee amount from the Department of Education.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
	Consolidation rebate. For FFELP consolidation loans, indicate the average DoE consolidation rebate percentage.	% (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 8(1)(2)	Repayment type. Indicate the code that describes the type of loan repayment terms.	1=Level 2=Graduated repayment 3=Income-sensitive 4=Interest-only period	General information about the student loan
Item 8(a)(3)	Year in repayment. If the loan is in repayment, indicate the number of years the loan has been in repayment.	Number (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the student loan
	Payments made. If the loan is in repayment, indicate the number payments made.	Number (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 8(a)(4)	Guarantee agency. For FFELP loans, specify the name of the agency guaranteeing the loan.	Text (Top 10 for aggregate pool)	General information about the student loan
Item 8(b)(1)	Current obligor payment status.	1=In-school	General information

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
	Indicate the code describing whether the obligor payment status is in-school, grace period, deferral, forbearance, or repayment.	2=Grace period 3=Deferral 4=Forbearance 5=Repayment	about the obligor
	Months remaining in status. Number of months remaining in status specified in Item 8(b)(1).	Number (Wt Avg By Outstanding Prin+Cap Accrued)	General information about the asset
Item 8(b)(2)	Geographic location of obligor. Specify the location of the obligor.	State Code (Top 10 for aggregate pool)	General information about the obligor
Item 8(b)(3)	School type. Indicate code describing the type of school or program.	1=Four Year 2=Two Year 3=Proprietary 4=Other	General information about the obligor
	Presence of co-obligor. For Private loans, indicate whether there is a co-obligor associated with the loan.	1=Yes 2=No	Private Student Loans – General information about the obligor
Item 8(c) (3)	Origination FICO score. For Private loans, provide the standardized FICO credit score used to underwrite the loan. If the loan was made to an obligor and co-obligor, the score should be the higher of the two scores.	1=up to 599 2=600-639 3=640-669 4=670-699 5=700-739 6=740-779 7=780+	Private Student Loans – General information about the obligor
	Updated credit scoring date. For Private loans, specify the date as of which the updated credit scores are provided.	Month/Year	Private Student Loans – General information about the obligor
Item 8(c)(6)	Updated FICO score. For Private loans, provide the standardized credit score as of the most recent point in time it has been updated. If the loan has a co-obligor, the score should be the higher of the obligor and co-obligor's scores.	1=up to 599 2=600-639 3=640-669 4=670-699 5=700-739 6=740-779 7=780+	Private Student Loans – General information about the obligor
	Number of loans in group.	Number (Sum)	General Information
	Number of unique borrowers in group.	Number (Sum)	General Information
Item 1(d)	Reporting period begin date. Specify the beginning date of the reporting	Date	General Information

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
	period.		
Item 1(e)	Reporting period end date. Specify the servicer cut-off date for the reporting period.	Date	General Information
Item 1(f)(1)	Total borrower actual amount paid. Indicate the total payment (including all escrows) paid to the servicer during the reporting period.	Number (Sum)	General Information
Item 1(f)(2)	Borrower actual interest paid. Indicate the amount of interest collected during the reporting period.	Number (Sum)	General Information
Item 1(f)(3)	Borrower actual principal paid. Indicate the amount of principal paid during the reporting period.	Number (Sum)	General Information
Item 1(f)(4)	Borrower actual other amounts paid. Indicate the total of any other amounts collected during the reporting period.	Number (Sum)	General Information
Item 1(f)(5)	Other principal adjustments. Indicate any other amounts that would cause the principal balance of the loan to be decreased or increased during the reporting period. Does not include elements enumerated in the asset specific data (e.g. guarantor payments for student loans).	Number (Sum)	General Information
Item 1(f)(6)	Other interest adjustments. Indicate any unscheduled interest adjustments during the reporting period.	Number (Sum)	General Information
Item 1(f)(7)	Current asset balance. Indicate the outstanding principal balance of the asset as of the servicer cut-off date.	Number (Sum)	General Information
Item 1(k)(1)	Charged-off principal amount. Specify the amount of uncollected principal charged-off.	Number (Sum)	General Information
Item 1(k)(2)	Charged-off interest amount. Specify the amount of uncollected interest charged-off	Number (Sum)	General Information
	Recovered amount. Specify the amount	Number (Sum)	General Information

Proposed Item Number	Proposed Title and Definition	Proposed Response	Proposed Category of Information
	of the previously charged-off balance collected through post-default recovery.		
Item 8(b)	Capitalized interest. Specify the amount of interest accrued to be capitalized during the reporting period.	Number (Sum)	General Information
Item 8(c)(1)	Principal collections from guarantor. For FFELP loans, provide the amount of principal received from the guarantor during this reporting period.	Number (Sum)	General Information
Item 8(c)(2)	Interest claims received from guarantor. For FFELP loans, provide the amount of interest claims received from guarantor during this reporting period.	Number (Sum)	General Information
	Reject Purchased Prin.	Number (Sum)	General Information
	Reject Purchased Interest.	Number (Sum)	General Information
	Reject Purchased Other.	Number (Sum)	General Information
	Other Purchased Amount.	Number (Sum)	General Information
	Risk Sharing Principal.	Number (Sum)	General Information
	Risk Sharing Interest.	Number (Sum)	General Information
Item 8(c)(3)	Claim in process amount. Aggregate line item for claims in process.	Number (Sum)	General Information
Item 8(c)(4)	Claim rejected amount. Aggregate line item for rejected claims.	Number (Sum)	General Information