# Single-Holder Rule - Gone!

## Congress Repeals Anti-Consumer Law

*By Judith Earley*

On Tuesday, the House of Representatives passed the Higher Education Act (HEA) of 2006 and in it repealed the single-holder rule, which now prevents many students from considering alternative lenders when consolidating their outstanding student loans.

The Chairman of the Subcommittee on Labor, Health and Human Services and Education, Representative Ralph Regula (D-OH), included a repeal of the single holder rule in the conference report of the Emergency Supplemental Appropriations Act of 2006, H.R. 4939. The repeal would allow borrowers the option to consolidate with a different lender that may be able to offer lower interest rates and/or better repayment terms. Presently, a borrower must refinance through his or her current lender if all students loans were obtained through a single lender.

Wednesday saw the Senate pass its own version of the HEA reauthorization bill, S. 1614. Now, the bill awaits President Bush's signature.

According to industry reports, the majority of students who pursue higher education each borrow tens of thousands of dollars throughout their undergraduate careers. With the elimination of the single-holder rule, borrowers would be afforded the opportunity to shop around for the best interest rates and loan packages available. This change has the potential to help save debt-laden graduates a significant amount of money by reducing interest costs and other fees.

The single-holder rule was originally designed to ensure that lenders' portfolios are not pick-pocketed by other lending institutions. Additionally it protects "borrowers from mass marketing or selective marketing of consolidation loans."

That is the theory. However in practice, the single holder rule is an anticompetitive clause that limits a student's options when selecting a lender for student loan consolidation. If all of a student's FFELP loans are with a single lender, he or she can only consolidate with that particular lender. However, if students have FFELP loans with more than one lender, they have the option to consolidate their loans with any lender.

As the law stands now, for a borrower whose FFELP loans are held by a single loan provider, the first step is to approach his or her loan provider and submit a request for consolidation. If the loan provider turns down the request to provide a consolidation loan or declines to provide a consolidation loan with an income-sensitive repayment schedule, borrowers are then free to apply for a consolidation loan from another consolidation loan provider. Any borrower who has received loans that are held by more than one loan provider may consolidate his or her loans with any eligible loan provider.

Student loan interest rates are set to increase two full percentage points on July 1, 2006; this will be one of the most dramatic single-year rate hikes in the history of the federal student loan program. An effective date for the repeal of the single holder rule has not been formally announced.