

Law School Loans Sides with Students on Single Holder Rule

At an April 27 Sallie Mae seminar in Los Angeles, Southern California students showed up to protest the education lending giant's stand on the Single Holder Rule, which eliminates refinancing options for many college students and graduates.

Students called Sallie Mae "a predatory lender" and accused the company of discouraging competition through disingenuous means.

Law School Loans CEO A. Harrison Barnes said, "This opposition to a free market is toxic to the entire education lending industry. All these lending companies, Law School Loans included, need to be able to compete to offer students the best borrower benefits, the best interest rates, the best repayment schedules, the best customer service."

Barnes continued, "Without this kind of competition, there is no doubt in my mind that students will end up shouldering the burden of what, in many cases, amounts to a practical monopoly."

Sallie Mae is the largest education lender in the country. Its closest competitor is Citibank; still, Sallie Mae originates, holds, and consolidates more than four times the volume of loans that Citibank does.

The Single Holder Rule prohibits borrowers from choosing which company will consolidate their student loans if only one lender holds all education loans. For example, a student whose school automatically assigned her loans to Lender X and who did not actively decide to use a different lender may now not choose to consolidate her loans using Lender Y.

Since Sallie Mae is the only holder for many individuals' student loans, the company stands to gain billions now that the rule is being actively enforced. One protester called the rule "the single most anti-competitive, anti-consumer law in the country"

At the protest, one student carried a picket sign reading: "What Do Sallie Mae and Tonya Harding have in common? They both eliminated competition."

Others displayed slogans such as "Sallie Mae is number one because she got rid of everyone," and "Sallie does not have our best interest rate at heart."

The group also distributed critical articles from Fortune, the New York Times, and nationally syndicated columnists.

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