June 30, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue
Washington, DC 20551

John G. Walsh
Acting Comptroller of the Currency
250 E Street, SW
Washington, DC 20219-0001

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
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Proposed Regulations Implementing Section 941 (Regulation of Credit Risk Retention) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for Student Loan ABS

Ladies and Gentlemen:

The state agency and nonprofit student loan lenders set forth below (the "NSLLs") are submitting this letter to express our comments relating to implementation of Section 941 (Regulation of Credit Risk Retention) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act") for asset-backed securities ("ABS") backed by student loans. During the week of March 28, 2011, each of the Joint Regulators approved for release their notice of proposed rulemaking (the "Proposing Release") entitled "Credit Risk Retention" (RIN 1557-AD40; 7100 AD 70; 3064-AD74; 3235-AK96; 2590-AA43),and requested public comment by June 10, 2011, which date was extended by the Joint Regulators to August 1, 2011 (the "Proposed Regulations").

The NSLLs support reforms within the securitization market and commend the Joint Regulators for seeking industry input on the Proposed Regulations. The NSLLs appreciate the importance of issuers of securitizations retaining some risk to align their interests with those of investors, by keeping a certain amount of "skin in the game." In fact, all state agency and nonprofit student lenders currently and historically have utilized securitization structures that provide ample retained risk. The NSLLs believe strongly that the final risk retention rules should not require any additional risk retention above what investors and the market presently demand. The result of additional risk retention would not provide investors with greater protection and would bring unnecessary financial distress to state agency and nonprofit student finance organizations.

The Proposed Regulations exemption for certain types of state agency and nonprofit student lenders should be revised to reflect the rule's intent. The Proposed Regulations properly grant total exemption for state agency and nonprofit student lenders that utilized funding pursuant to section 150(d) of the Internal Revenue Code, based upon language in 941(b) of Dodd-Frank. Section ___.21(a)(3) and (4):

(3) Any asset-backed security that is a security issued or guaranteed by any State of the United States, or by any political subdivision of a State or territory, or by any public instrumentality of a State or territory that is exempt from the registration requirements of the Securities Act of 1933 by reason of section 3(a)(2) of that Act (15 U.S.C. 77c(a)(2)); and

(4) Any asset-backed security that meets the definition of a qualified scholarship funding bond, as set forth in section 150(d)(2) of the Internal Revenue Code of 1986 (26 U.S.C. 150(d)(2)).

However, the Proposed Regulations deny any exemption for nonprofit student lenders that do not or cannot issue bonds under IRC section 150(d). By doing this, in the view of the NSSLs, the Proposed Regulations make an erroneous distinction between those nonprofit lenders that use 150(d) and those who do not. Securitizations by both types of nonprofit student lenders offer the same level of retained risk. For example, state agency and nonprofit student loan providers do not utilize bankruptcy-remote, special purpose vehicles ("SPVs") for securitizations. The explanation for this is that nonprofit and state agency student lenders are not "monied businesses" as the phrase is used in the Federal Bankruptcy Code; which means the structures they use are exempt from involuntary bankruptcy under that Code and thus it is not necessary to use SPV "bankruptcy remote" entities. Nonprofit and state agency student lenders are chartered to perform a specific public purpose: to provide financing to prospective students who want to enroll in higher education institutions. The practical effect of not using SPVs is that the student loan ABS remain "on the books" of these lenders, regardless of whether they are a state agency, 150(d) nonprofit, or other state designated nonprofit student loan organization. The NSSLs account for their residual interest in student loan ABS issued by them as income is earned throughout the life of the deal; they do not monetize the value of the residual as a one time boost to income in the year that the ABS are issued. Thus, the NSSLs believe that the final risk retention rule should extend the exception for 150(d) nonprofit student lenders to all nonprofit student lenders.

Most nonprofit student loan providers would not be able to absorb the additional cost of capital that would result from a risk retention requirement that exceeds what is already being imposed by the requirements of the capital markets as described above, and would be forced to pass this cost on to borrowers or schools. In all likelihood this will significantly disadvantage nonprofit and state-based student loan providers who, unlike for-profit institutions do not have ready access to the needed equity to contribute as retained risk. The necessity of charging borrowers or – more likely – schools to offset the cost of an additional risk retention requirement is based on the fact that in many instances it cannot be offset by increasing interest rates on the loans. This is particularly true in the federal student loan programs for which the interest rate and yield is set by the federal government. Another impact of additional risk retention is a further reduction in college access and outreach programs. Nonprofit and state-based student loan providers, while historically thinly funded, used a portion of their resources for public purpose programs focused on increasing access to and completion of higher education. An increase in risk retention would further drain resources of nonprofit lenders and result in the inability to continue these programs. Thus, additional risk retention will have the dual effect of unfairly advantaging for-profit lenders while frustrating the public purpose of providing reasonable financial access to higher education.

The legislative intent behind the risk retention requirement in section 941 of Dodd-Frank is clearly directed at addressing securitizations that carry a far greater risk to investors than do student loan securitizations executed by state agency and nonprofit student loan providers. The genesis for risk retention comes from the origination of subprime mortgage loans that were sold at profits for the originators and then securitized with more profits for the securitization sponsor, and from collateralized loan obligations and collateralized debt obligations, whose assets included securities issued in connection with those securitizations of subprime mortgage loans. The NSSLs believe that the final risk retention rule should not inhibit nonprofit student loan lenders from using securitizations to originate new loans or to refinance existing bonds. To do this, the final rule must grant a total exemption for state agency, 150(d) and other nonprofit student lenders from the risk retention requirements of Dodd-Frank.

Each of the NSSLs listed below appreciates the opportunity to provide its perspective on the effect of the Proposed Regulations on risk retention for student loan ABS issued by state agency and nonprofit student lenders.

Very truly yours

Access Group, Inc.

Brazos Higher Education Service Corporation

New Hampshire Higher Education Loan Corporation

Iowa Student Loan Liquidity Corporation

ISM Education Loans, Inc.

New Mexico Educational Assistance Foundation

South Carolina Student Loan Corporation