

Top 10 Things You Don't Know About Sallie Mae



Throughout the Great Recession, only one type of household debt grew: student debt. In April 2012, student debt surpassed the \$1 trillion mark,ⁱ and now students owe on average nearly \$27,000 by the time they graduate.ⁱⁱ As student debt and student loan defaults escalate at an unsustainable pace, private student loan lenders continue to increase their profit margins. Sallie Mae is the largest private student loan lender and one of the chief profiteers off of student debt,ⁱⁱⁱ yet it faces minimal public scrutiny and accountability. Below are 10 critical facts about Sallie Mae that exemplify the need for increased regulation in the private student loan industry.

1. Sallie Mae is a publicly traded corporation, accountable to shareholders – not the government or students. Originally created as a government-sponsored enterprise in 1972, Sallie Mae transitioned to operating as a fully-privatized bank lender between 1997 and 2004.^{iv} Sallie Mae now operates as a massive financial institution with a stake in several states' 529 savings plans.^v

2. Sallie Mae owns \$162.5 billion of student debt,^{vi} or nearly 20 percent of all student debt in the country. Sallie Mae is the largest private profiteer off of student debt, with more than 25 million customers. Since 2010, the company has increased its private student loan portfolio by 45 percent.^{vii}

3. Twenty percent of individuals with Sallie Mae loans defaulted from 2009 to 2012 after entering forbearance, and 11.4 percent defaulted after leaving forbearance and trying to make payments.^{viii} Sallie Mae has a history of hiding its true default rate numbers, and the Senate Committee on Health, Education, Labor and Pensions (HELP) singled out the company for manipulating default rates for students at for-profit colleges.^{ix} In 2007, company shareholders filed a class action lawsuit over this practice of pushing students into forbearance as a way to delay defaults on loans that were granted despite borrowers' clear inability to pay them off.^x

4. From 2007 to 2011, Sallie Mae CEO Albert Lord has received more than \$35 million in total compensation.^{xi} Sallie Mae's senior management team, composed of five executives, received more than \$20 million in compensation in 2011.^{xii}

5. Sallie Mae made \$84 million in revenue in 2012 from Department of Education servicing contracts.^{xiii} Sallie Mae services 4.3 million students' loans through two U.S. Department of Education contracts^{xiv} – and gets paid well for doing it. Taxpayers are currently financing a federal student loan system where Sallie Mae gets an 11 percent commission of the entire amount of a loan for every loan it rehabilitates, regardless of the monthly payment size. In recent years, Sallie Mae has enjoyed an even-higher 16 percent commission rate.^{xv}

6. Sallie Mae spent \$16 million on federal lobbying from 2008 to 2012.^{xvi} The New York Times described Sallie Mae's federal lobbying efforts as "aggressive," and detailed how the corporation tried to block student loan reform by influencing federal regulators and Congress.^{xvii}

7. Sallie Mae had 63 registered lobbyists in nine states between 2005 and 2011.^{xviii} This influence can be quantified in states across the country that have continued to divest in public higher education, with only two states increasing funding for higher education since 2008.^{xix} A lack of state funding has driven students to be more dependent than ever on private lenders, including Sallie Mae.

8. Sallie Mae is one of the newest members of the controversial American Legislative Exchange Council (ALEC).^{xx} In November 2012, Sallie Mae gave a presentation at an ALEC conference called: "Best Practices for Debt Collection and Tax Amnesty."^{xxi} ALEC has been widely criticized for promoting controversial legislation such as voter ID laws, "right-to work" laws, and pro-gun "stand your ground" laws.^{xxii} It faced widespread public attention and criticism in 2012, when hundreds of corporations ended their ties with ALEC — the same year that Sallie Mae joined the extremist group.^{xxiii}

9. The Consumer Financial Protection Bureau (CFPB) has received more than 1,500 complaints about Sallie Mae.^{xxiv} Sallie Mae alone totaled nearly half of the 3,485 total complaints submitted about student loans to the agency since March 2012.

10. Sallie Mae has faced class action lawsuits nearly every year since being privatized. The suits have accused the corporation of racist^{xxv} and discriminatory predatory lending^{xxvi} practices against minorities and low-income borrowers. Sallie Mae settled all of these cases outside of court, and is now facing a new class action lawsuit for providing loans that their executives described as "predictably uncollectible."^{xxvii}

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- ⁱ "Too Big to Fail: Student debt hits a trillion": <http://www.consumerfinance.gov/blog/too-big-to-fail-student-debt-hits-a-trillion/>
- ⁱⁱ "Average Student Debt Climbs to \$26,600 for Class of 2011":
http://projectonstudentdebt.org/files/pub/Release_SDR12_101812.pdf
- ⁱⁱⁱ "Meet 5 Big Lenders Profiting From the \$1 Trillion Student Debt Bubble (Hint: You Know Some of Them Already)":
http://www.alternet.org/story/153200/meet_5_big_lenders_profiting_from_the_%241_trillion_student_debt_bubble_%28hint%3A_you_know_some_of_them_already%29?page=0%2C1&paging=off
- ^{iv} "Treasury Announces Successful Privatization of Sallie Mae": <http://www.treasury.gov/press-center/press-releases/Pages/js2173.aspx>
- ^v Sallie Mae website: <https://www.salliemae.com/529-plans/default.aspx>
- ^{vi} Sallie Mae 2012 10-K, page 29: <https://www.salliemae.com/assets/about/investors/shareholder/annual-reports/201210K.pdf>
- ^{vii} Sallie Mae 2012 10-K, page 7: <https://www.salliemae.com/assets/about/investors/shareholder/annual-reports/201210K.pdf>
- ^{viii} Sallie Mae 2012 10-K, page 71: <https://www.salliemae.com/assets/about/investors/shareholder/annual-reports/201210K.pdf>
- ^{ix} "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success":
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- ^x SLM Venture v SLM Corporation and Albert Lord: (Part 1)
<http://higheredwatch.newamerica.net/sites/newamerica.net/files/articles/sallie%20mae%20private%20loan%20case%20part%201.pdf> / (Part 2)
<http://higheredwatch.newamerica.net/sites/newamerica.net/files/articles/sallie%20mae%20private%20loan%20case%20part%202.pdf>
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- ^{xii} Sallie Mae proxy, 2011: <http://www.sec.gov/Archives/edgar/data/1032033/000119312512161831/d286524ddef14a.htm>
- ^{xiii} Sallie Mae 2012 10-K, page 9: <https://www.salliemae.com/assets/about/investors/shareholder/annual-reports/201210K.pdf>
- ^{xiv} Sallie Mae 2012 10-K, page 9: <https://www.salliemae.com/assets/about/investors/shareholder/annual-reports/201210K.pdf>
- ^{xv} "Obama Cuts Student-Debt Collector Commissions to Aid Borrowers": <http://www.bloomberg.com/news/2013-03-19/obama-cuts-student-debt-collector-commissions-to-aid-borrowers.html>
- ^{xvi} Open Secrets: <http://www.opensecrets.org/lobby/clientsum.php?id=D000022253&year=2012>
- ^{xvii} "Lobbying Imperils Overhaul of Student Loans":
http://www.nytimes.com/2010/02/05/us/politics/05loans.html?pagewanted=all&_r=0
- ^{xviii} National Institute on Money in State Politics
- ^{xix} "Recent Deep State Higher Education Cuts May Harm Students and the Economy for Years to Come"
<http://www.cbpp.org/cms/?fa=view&id=3927>
- ^{xx} "After a Controversial Year, ALEC Convenes in Washington; Damage Control at Top of Agenda":
<http://www.prwatch.org/news/2012/11/11885/after-controversial-year-alec-convenes-washington-damage-control-top-agenda>
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- ^{xxii} "ALEC Has Pushed The NRA's "Stand Your Ground" Law Across The Nation": <http://mediamatters.org/blog/2012/03/21/alec-has-pushed-the-nras-stand-your-ground-law/186459>
- ^{xxiii} "Wal-Mart latest to leave conservative advocacy group ALEC" <http://articles.latimes.com/2012/may/31/business/la-fi-mo-walmart-alec-20120531>
- ^{xxiv} CFPB Consumer Complaint Database: <https://data.consumerfinance.gov/dataset/Student-loan-complaints/c8k9-ryca>
- ^{xxv} Rodriguez vs. Sallie Mae: <http://www.newamerica.net/files/sallie%20mae%20lawsuit.pdf>
- ^{xxvi} "An Unsettling Settlement in Class Action Lawsuit Challenging Sallie Mae's Subprime Lending Practices":
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- ^{xxvii} "Firm Files Suit Against Sallie Mae On Behalf of For-Profit College Students" <http://www.wolflegal.com/wolf-legal-sues-sallie-mae/>