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LATHAM & WATKINS LLP

August 15, 2025

The Honorable Elizabeth Warren
United States Senate
Washington, DC 20510-2105

(additional recipients below)

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Dear Senators:

I write on behalf of our client, Sallie Mae Bank (“Sallie Mae”), in response to your August 3, 2025 letter requesting information on Sallie Mae’s business and the broader private student loan market.

As the market leader in private student lending, Sallie Mae shares your interest and commitment in ensuring the higher education finance system works well for all students and our nation. We appreciate the opportunity to provide information on how Sallie Mae responsibly serves students and families.

Sallie Mae and its more than 1,800 employees (across Delaware, Virginia, Massachusetts, Indiana and Utah) support students and families navigating their journey to, through, and immediately after higher education. As part of this work, Sallie Mae provides a variety of free tools, resources, and research to help students and families effectively plan for college, and if needed, responsible financing options to help students access and complete their higher education. Importantly, Sallie Mae’s status as a bank means it is subject to a broad set of federal and state laws, rules and regulations – including extensive consumer protection provisions – and oversight and prudential supervision by several federal and state regulators.

Sallie Mae supports appropriate and consistent government oversight of lenders, so that all industry participants are required to adhere to the same stringent standards.

In addition to detailing that extensive regulatory framework, the information below outlines the company’s programs to support customer success, its approach to loan servicing and loan sales, and the implications of H.R. 1 (2025) on its business.

Sallie Mae Invests Extensively in Initiatives and Programs to Promote Customer Success

Sallie Mae is committed to serving its customers through responsible lending. In this regard, Sallie Mae strives to help students understand the full range of their options, make well-informed decisions, borrow responsibly, and set themselves up for success now and in the future. Sallie Mae’s private student loans are primarily “gap” loans, meaning they help bridge the gap

between the total cost of higher education and the amount funded through family contributions, scholarships and grants, and federal financial aid. In engaging with its customers, Sallie Mae encourages financial responsibility, emphasizes building good credit, and provides flexible repayment options to help students manage and pay off their debt.

Sallie Mae also embeds a broad set of customer protections in the products that it offers. To ensure students borrow only what they need to cover their cost of attendance, Sallie Mae actively engages with schools and requires school certification before disbursing a loan (other than Bar Study, and Residency and Relocation loans). To help students understand their loan terms, Sallie Mae provides multiple, customized disclosures that include the interest rate, whether the interest rate is fixed or variable, and an estimate of the loan's total cost. Sallie Mae's private loans have generally included an interest rate reduction for those who enroll in and make monthly payments through auto debit, a choice of repayment options, forgiveness in the case of the student borrower's death or permanent disability, and no origination fees or prepayment penalties. Importantly, through its robust underwriting, Sallie Mae conducts a thorough assessment of the customer's ability to repay the debt – a feature that goes beyond what is available in the federal loan program.

Sallie Mae's experience is that customers typically face the highest periods of repayment stress in their first 12-24 months after repayment begins. For those students graduating and entering the workforce and repayment, Sallie Mae has a variety of programs to assist them through this transition period. These include a grace period of at least six months following graduation, extended grace periods available to borrowers entering repayment, and graduated repayment terms. Sallie Mae also offers military forbearance to Servicemembers, disaster forbearance to those impacted by events such as floods, fires, and other states of emergency, and other deferment options. Sallie Mae's offerings in this regard are subject to the requirements of federal banking regulations with respect to safety and soundness.

If a customer encounters financial difficulty, Sallie Mae's servicing teams work with the customer to understand their circumstances. This process is meant to facilitate identifying potential alternative arrangements and where possible to reduce monthly payment obligations. Such alternative arrangements can include loan modification programs that provide customized repayment terms based on the customer's unique financial condition.

These programs available to customers have proven effective in helping students successfully transition from school to repayment, and then subsequently manage their loans. Significantly, fewer than 3% of Sallie Mae's loans in repayment default annually, and on average, customers pay off their Sallie Mae loans in approximately seven years.

In addition, Sallie Mae's Customer Care team and the Office of the Customer Advocate work directly with customers and their representatives to resolve individual inquiries or complaints, including those submitted to the Consumer Financial Protection Bureau ("CFPB").

Sallie Mae's Status as a Bank Means It Is Subject to Extensive Prudential Regulation and Oversight

As a regulated bank, Sallie Mae is subject to comprehensive federal and state prudential and consumer protection regulations and oversight. Its compliance with applicable servicing standards, among other things, is routinely evaluated by both banking and consumer protection regulators, including the Federal Deposit Insurance Corporation, the Utah Department of Financial Institutions, and the CFPB. Sallie Mae's regulators routinely conduct examinations and supervision on a wide range of topics and requirements, including safety and soundness, risk management, consumer compliance (with applicable laws and regulations), community reinvestment, governance, internal controls, and third-party risk management.

Further, Sallie Mae's private student loans are governed by robust prudential and consumer protection laws and regulations, some of which do not apply to federal student loans or to non-banks. These laws and regulations include the Federal Deposit Insurance Act, Interagency Guidelines Establishing Standards for Safety and Soundness, the Uniform Retail Credit Classification and Account Management Policy, the Community Reinvestment Act, the Higher Education Opportunity Act, the Truth in Lending Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Equal Credit Opportunity Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Fair Credit Reporting Act, and the Utah Financial Institutions Act, among others.

Sallie Mae's servicing practices and robust underwriting model, which assesses a customer's ability and willingness to repay, are both subject to significant oversight and standards set by the banking prudential regulators.

Sallie Mae's Approach to Loan Servicing and Loan Sale Transactions

Sallie Mae originates private student loans, and Sallie Mae's on-shore U.S.-based associates service and substantially collect on its loans. While Sallie Mae holds a substantial portion of its originated loans on its balance sheet, it also engages in loan sale transactions with investors to address safety and soundness guidelines and support effective balance sheet management and risk mitigation in accordance with prudential regulatory standards, as expected by Sallie Mae's banking regulators. Importantly, in the vast majority of its loan sales, Sallie Mae retains servicing responsibilities for these sold loans and continues to service them to the same standards as those held on its own balance sheet.

Sallie Mae Continues to Assess the Implications of H.R. 1

Sallie Mae is actively evaluating the broader implications of H.R. 1 on its business, product offerings, and the student loan market. As the legislation passed only weeks ago, Sallie Mae has not announced any significant changes to its underwriting practices, nor has it reached definitive conclusions on how its business or its student loan portfolio will change as a result of H.R. 1. Sallie Mae does not currently offer refinancing products.

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Thank you for the opportunity to provide information on this vitally important matter and contribute to this critical dialogue. Sallie Mae deeply values the role of Congress and key stakeholders in shaping policies that impact students and their families. Sallie Mae is committed to engaging in meaningful discussions and sharing information that supports informed decision-making. To this end, Sallie Mae welcomes continued collaboration with your offices and with Congress overall to ensure responsible access to higher education financing, promote affordability for student borrowers, and support college completion. Sallie Mae is grateful for your leadership on these issues of paramount importance to families across the nation and to Sallie Mae, and looks forward to being a constructive partner in this ongoing effort.

Sincerely,



Jonathan C. Su
LATHAM & WATKINS LLP

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Additional Recipients

Honorable Charles E. Schumer
United States Senator

Honorable Bernard Sanders
United States Senator

Honorable Richard Blumenthal
United States Senator

Honorable Mazie K. Hirono
United States Senator

Honorable Ron Wyden
United States Senator

Honorable Chris Van Hollen
United States Senator

Honorable Edward J. Markey
United States Senator

Honorable Jeffrey A. Merkley
United States Senator

All: Thank you for your follow-up regarding the Senators' letter and our call on September 3, 2025. We are happy to provide additional information to supplement what we shared in our August 15 letter.

First, as we've discussed, Sallie Mae is the market leader for private student lending, serving more students and families than any other private student lender. In 2020, approximately 420,000 families chose Sallie Mae as their private education loan provider, and Sallie Mae originated \$5.3 billion of private education loans. In 2021, approximately 397,000 families chose Sallie Mae, with \$5.4 billion in loans originated. In 2022, approximately 369,000 families chose Sallie Mae, with \$6.0 billion in loans originated. In 2023, Sallie Mae originated approximately \$6.4 billion in private education loans, increasing to approximately \$7.0 billion in 2024. Most recently in Q2 of 2025, Sallie Mae reported \$686 million in private education loan originations. Sallie Mae's portfolio is substantially self-serviced. For 2025, Sallie Mae expects 5% to 6% year-over-year growth in private education loan originations and anticipates that total loan portfolio net charge-offs will be between 2.0% and 2.2% of average loans in repayment.

Second, you asked for additional information regarding how Sallie Mae provides customer service assistance. In calendar year 2024, Sallie Mae's Servicing Department received nearly 430,000 calls, with an average wait time of 66 seconds. Single call resolution was achieved in approximately 94.9% of those calls. This high rate of single call resolution reflects the extensive training provided to Sallie Mae's servicing specialists, who are empowered to independently resolve customer concerns using procedures tailored to the specific nature and context of each inquiry. These specialists have the ability to escalate issues to a more senior colleague, as warranted. Where standard business procedures do not yield a satisfactory resolution, the matter can be referred to Sallie Mae's Office of the Customer Advocate for further support and resolution. Sallie Mae also employs a team of customer service specialists dedicated to working with service members and military families. This dedicated team assists customers with military-specific benefits, arranges for their loans while

deployed, and supports them as they transition back to school or into repayment.

In addition, Sallie Mae has processes in place to address increased customer service requests. Sallie Mae routinely monitors its call volume and proactively implements staffing strategies to ensure it can consistently meet customer needs. This approach applies to both temporary and sustained increases in service demand, including those arising from seasonal trends or extraordinary circumstances such as natural disasters.

If there is a short-term increase in call volume, Sallie Mae leverages business units with available capacity to respond to those calls. Sallie Mae also maintains a team of agents who are cross trained to support incremental volume or seasonal spikes in volumes. In addition, Sallie Mae also reminds callers they can obtain assistance, including self-service options for routine requests, via chat, the Sallie Mae mobile app, or the Sallie Mae web site.

Alternatively, if Sallie Mae determines that there will be a sustained increase in demand, it can access additional temporary or permanent resources to respond to such demand. Sallie Mae crafts its planning to prioritize efficiency and responsiveness in such circumstances.

Third, you asked about how Sallie Mae responds to borrowers who may be experiencing financial difficulty. As previously indicated, fewer than 3% of Sallie Mae's loans in repayment default annually, with approximately 3.5% of loans in repayment delinquent and fewer than 1% of loans in forbearance programs as of June 30, 2025. On average, customers fully repay their Sallie Mae loans in approximately seven years.

But for borrowers experiencing challenges, Sallie Mae offers tailored programs designed to help them successfully manage repayment and avoid delinquency or default. Sallie Mae works with the customer and/or the cosigner to understand their situation and, if appropriate, identify potential alternative arrangements designed to reduce monthly payment

obligations. These alternatives can include extended grace periods, short-term hardship forbearances, temporary interest rate reductions, and, in some cases, permanent interest rate reductions. When Sallie Mae grants forbearance or modifies a loan, it advises customers about the effect the forbearance or modification will have on their loan balance and payment obligations. Sallie Mae will waive the current balance of a customer's loan if the student dies or becomes totally and permanently disabled.

Fourth, you asked about Sallie Mae's procedures in circumstances where borrowers have experienced challenges with the school they have attended. As a general matter, Sallie Mae has established a comprehensive process for evaluating borrower claims for full or partial loan discharge under the Federal Trade Commission's "Holder Rule." This includes cases where a for-profit educational institution closes prior to a student's graduation or is alleged to have engaged in misconduct. Each claim is reviewed in accordance with applicable regulatory guidance and internal procedures to ensure appropriate outcomes for impacted borrowers.

In the event of an anticipated school closure, Sallie Mae obtains a list of impacted borrowers, relevant program details, transfer agreements, and the official closing date. Sallie Mae also works directly with the institution to ensure appropriate refunds are issued to students, if possible. For schools that have already closed, Sallie Mae verifies the student's graduation or transfer status. If a borrower is eligible for discharge, the amount discharged will be calculated based on the proportion of the program/credits for which the student did not receive an educational benefit due to the closure or misconduct.

Fifth, with regard to the sale of loans to third parties, Sallie Mae may sell loans to third parties through whole loan sales, securitizations, or other similar transactions. Sallie Mae typically retains servicing of loans subsequent to their sale.

Finally, for the reasons that we discussed on our September 3, 2025 call, Sallie Mae is unable to provide responses to the questions that address planning or projections for future activities, since those matters are subject to further deliberation.

We hope this additional information is helpful and are committed to working with you on these important matters. Thank you again for your engagement and consideration.

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