

Congress of the United States
House of Representatives
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Honorable George Miller
Chairman, House Education and Labor Committee
2181 Rayburn House Office Building
Washington, D.C., 20515

Honorable Howard "Buck" McKeon
Ranking Member, House Education and Labor Committee
2101 Rayburn House Office Building
Washington, D.C., 20515

Dear Chairman Miller and Ranking Member McKeon:


Recently, a 51-page contract became public that reveals a highly questionable relationship between Sallie Mae and USA Funds. According to *The Chronicle of Higher Education* which first reported on this issue, the contract gives Sallie Mae "extensive financial and organizational control" over USA Funds. As you know, current law requires that lenders operating in the Federal Family Education Loan (FFEL) program remain independent from the guaranty agencies that both oversee their activities and insure the student loans issued by the lender. This independence is vital in protecting both students and taxpayers.

Even more disturbing is the fact that in 2004 the Department of Education ignored its own Inspector General's recommendation that a conflict of interest needed "to be cured" between the two entities. Instead, the Department ruled that the relationship raised no conflict of interest concerns.

This Congress, the Education and Labor Committee has endeavored to clean up the waste, fraud, and abuse that has plagued the FFEL program. This most recent revelation raises serious concerns of possible manipulation of the FFEL program, and it once again brings into question the propriety of the relationship between the Department and the entities it oversees.

I believe this Committee should look into this contract which is still in effect as well as any other similar contracts between guaranty agencies and lenders. Serious questions need to be answered regarding the relationship between Sallie Mae and USA Funds, the findings of the Inspector General, and the Department's response.

Sincerely,


Thomas E. Petri