The Issue of Integrity

By Emily Zaborniak

An "education summit" to be presented by EduCap, Inc., has sparked media buzz and raised questions concerning the integrity of relationships between colleges and private student loan lenders. Originally, the conference was set to be held this February in the Caribbean, and invitees would have received all-expenses-paid stays at the Four Seasons. *The New York Times* mentioned this extravagant upcoming event in a recent article, including it in a list of other suspicious incentives-such as iPods and cash bonuses-given to universities by numerous lenders. Under the heat of negative attention, EduCap, which does business under Loan to Learn, canceled the upcoming summit. In his letter to the prospective attendees, Senior Vice President of EduCap George Pappas stated that the cancellation was made "in light of recent inaccurate reports in the media regarding the financial-aid community and the unfortunate perception these reports have created."

Whether or not the agenda planned by EduCap was unethical, the swarm of controversy around the issue of integrity was enough to motivate United States Senator Dick Durbin (D-IL) to call upon the Inspector General of the Department of Education to investigate any conflicts of interest between lenders and universities. Durbin dubbed universities' practice of maintaining preferred lenders lists as "disturbing." The objective of these lists is to have pools of private lenders from which students are encouraged to borrow. It's very lucrative for private lenders to secure positions on these lists, which is why education summits like EduCap's appear to be based on ulterior motives.

Last week, in a press release, Durbin did not disguise his unease: "The first obligation of any college or university is to help its students, not the lenders. At a time when college costs continue to rise and students are borrowing more and more to pay for higher education, university officials should be looking out for the interests of the students and not the next all-expenses-paid trip to the Caribbean."

Students depend on private lenders to bridge the chasm between rising tuition costs and available financial aid…which makes spots on universities' "preferred lists" of lenders even more coveted. According to the College Board, students took out nearly $13.8 billion in private loans during the 2004-2005 school year. This is *ten* times the amount borrowed a decade ago.

Durbin, who fears that students are being taken advantage of, had this to add: "At the end of the day, the incentive-based relationships between lenders and universities could lead to students being saddled with even more debt. It's time for these sweetheart arrangements to come to an end."

Lenders are prohibited from offering direct or indirect inducements to any educational institution or individual in order to secure loan applications. If found guilty of misleading actions, they can be disqualified from participating in the Federal Family Education Loan Program (FFELP).