

## New York Attorney General Discovers Dishonest Alliances between Schools and Student Loan Companies

By Brooke Heath



Last week, New York State Attorney General Andrew M. Cuomo sent letters to more than 400 colleges and universities throughout the country, including all in New York State, warning them to end relationships with lenders that have the potential to mislead students and compromise their abilities to obtain the best rates on their student loans.

In an ongoing investigation into the \$85 billion-per-year student loan industry, Cuomo found that dozens of colleges and universities across the country have accepted a variety of financial incentives from student loan companies for encouraging students to take their business to the companies in question.

“We have found that these school-lender relationships are often highly tainted with conflicts of interest,” Cuomo said. “These school-lender relationships are often for the benefit of the schools at the expense of the student, with financial incentives to the schools that are often undisclosed.”

According to *The New York Times*, these incentives have included cash payments based on loan volume, donations of computers, all-expenses-paid trips to resorts for financial aid officers and their spouses, and call centers run on behalf of colleges to answer students’ questions about financial aid.

“There is an unholy alliance between banks and institutions of higher education that may often not be in the students’ best interest. The financial arrangements between lenders and these schools are filled with the potential for conflicts of interest. In some cases, they may break the law,” said Cuomo.

In February, Cuomo requested information from more than 60 public and private colleges and universities nationwide regarding the “preferred lender” lists they give to students. The lists manipulate students’ choices of borrowers by only including lenders who give the schools or offer to give the schools some of the financial and/or material incentives mentioned earlier. In reality, these lists may not include the lenders offering the best deals for students and parents. It was also discovered that schools were employing various practices that resulted in borrowers being denied loans due to their choices of particular lenders who were not in collaboration with the schools.

Cuomo’s letter suggested that schools inform students and parents of how their “preferred lender” lists were constructed in addition to giving them the right to choose their lenders, even if the lenders they prefer are not in alliance with their schools.