

Education Finance Partners Plans to Defend Itself in Lawsuit Filed by New York Attorney General

By Brooke Heath



Last week in San Francisco, Education Finance Partners (EFP) responded to New York Attorney General Andrew Cuomo's formal notice to file suit against it by announcing that it is fully prepared to defend its practices.

Tamera Briones, Education Finance Partners' founder and chief executive, said, "[W]e were surprised and dismayed by the Attorney General's announcement that his office intends to file a lawsuit against Education Finance Partners."

The lawsuit against EFP is the first to be filed in an ongoing investigation directed by Cuomo into alliances between student loan companies and schools across the country. In a press release last week, Cuomo claimed that "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."

Cuomo maintains that the suit has been filed because Education Finance Partners provided schools with financial incentives in exchange for encouraging students to give their business to EFP as well as putting EFP on "preferred lender" lists. Cuomo claims that the schools and EFP should have informed students of the alliances, which allowed EFP to compensate schools for promoting its services.

"[T]he Attorney General fails to mention in his press release that many colleges and universities use revenue share to fund student aid programs. Education Finance Partners provides these funds directly to the schools because we believe schools are in the best position to know which students have the greatest unmet financial need. What's more, our revenue share arrangements never impact the cost to the borrower. Rather, the price to the borrower is based on the borrower's risk profile—not whether the student attends a school that participates in the program," said Briones.

Briones also insisted, "We at Education Finance Partners are firm believers in transparency, and we disclose to all of our borrowers that their school may have a revenue share arrangement with Education Finance Partners. We are committed to being at the forefront of best practices in our industry, and we will continue to conduct ourselves with the highest business and ethical standards as we serve students and the not-for-profit education community."

Education Finance Partners, which was established in 2003, has five business days to explain why the lawsuit should not be filed against it.