

## **Cuomo testifies regarding investigations, criticizes Department of Education**

### **Cuomo testifies regarding investigations, criticizes Department of Education**

Testifying regarding his investigations into the student lending industry, New York Attorney General Andrew Cuomo spoke before the United States House of Representatives' Committee on Education and Labor. Cuomo criticized the Department of Education for taking a lackluster stance on issues relating to the student lending industry. He said that dishonest lending practices have persisted over the years in part "because the U.S. Department of Education has been asleep at the switch." Cuomo also hinted at possible criminal charges against financial aid administrators involved in "kickback schemes." Cuomo used harsh words in his speech and claimed he had discovered institutions engaging in controversial practices such as sharing revenue with lenders based on loan volume. He spoke of finding conflicts of interest connected with colleges' selections of preferred lenders as well as discovering that some financial aid officials held stock in loan companies to which they referred students. The attorney general stated that he was examining relationships between credit card companies and college students. In a separate development, Johns Hopkins University agreed to adopt Cuomo's code of conduct. The university will also end its use of preferred lender lists.

### **Spellings forms task force to examine lender issues**

Formed by U.S. Secretary of Education Margaret Spellings, a federal task force will examine student lending issues. The task force will look into matters such as the provision of kickbacks to schools for including lenders' names on preferred lender lists. It will also focus on prohibited inducements and the National Student Loan Data System (NSLDS), which has allegedly been mined by lenders for student information. The internal task force includes officials from the Department of Education's Office of Postsecondary Education and Office of the General Counsel, as well as Federal Student Aid. Spellings has directed the team to "review and build on the negotiated rulemaking committee's work" and report back to her by May 31 with recommendations for new regulations.

Although Sen. Edward Kennedy commended Spellings' move, U.S. Rep. George Miller was not so pleased; he said Spellings should do more than form a task force and insisted that she temporarily ban the use of preferred lender lists.

### **McKeon introduces Financial Aid Accountability and Transparency Act**

Rep. Howard P. McKeon, senior Republican on the House Education and Labor Committee, has introduced the Financial Aid Accountability and Transparency Act. The new act is slated to delineate a code of conduct barring financial aid officers from receiving perks from lenders. If passed, the act would require colleges to disclose how they select their preferred lenders. McKeon's legislation would also require schools to disclose to students why they participate in the government's direct lending program. Earlier this year, McKeon introduced a bill that proposed providing parents and students with better disclosure of college costs. McKeon stated that the financial aid system exists to serve students and that more accountability in the industry would soon restore students' trust in its vital programs.

### **NASFAA approves resolution for code of conduct**

The National Association of Student Financial Aid Administrators (NASFAA) has passed a resolution to develop a code of conduct for financial aid officials. The organization will outline regulations that will explain to its members and their institutions how to meet the guidelines of the NASFAA “Statement of Ethical Principles.” The resolution, which was approved by the NASFAA board of directors during its April 21–23 meeting, also stated that NASFAA itself would review its relationships with lenders as well as take measures to alter its policies and practices and ensure that it abides by the “Statement of Ethical Principles.” The resolution establishes a procedure for informing, educating, and advising financial aid officers on how to abide by the NASFAA code of conduct. It also calls on members to review their institutions’ current practices, ensuring that financial aid decisions, especially those involving educational loans, are free from bias and conflicts of interest.