

Sallie Mae Hit with Two Lawsuits Claiming Racial Discrimination

By Carina Zaragoza



Two lawsuits were filed against Sallie Mae on Thursday, December 27, 2007, in yet another blow to the business practices of the already hard-hit student loan company. Sallie Mae has come under scrutiny in the past year, beginning with New York Attorney General Andrew Cuomo's investigations into the lending and marketing practices of several student loan companies, of which Sallie Mae was one.

The plaintiffs in both lawsuits claim that Sallie Mae's underwriting practices steer racial minorities into borrowing more expensive education loans. In both lawsuits the interest rates on the education loans borrowed by the plaintiffs skyrocketed and are now more typical of credit card interest rates.

One of the plaintiffs, Sasha Rodriguez, is a Hispanic originally from Connecticut. She took out more than \$19,000 in private education loans through Sallie Mae in order to attend McIntosh College in New Hampshire. The principal balance has ballooned to more than \$33,000 and carries an interest rate of 18.125%.

The second plaintiff, Cathelyn Gregoire, borrowed more than \$14,000 from Sallie Mae. The private education loans helped Cathelyn, an African American from Tampa, Florida, attend the International Academy of Design and Technology. The interest rate on her loans was initially 7% but jumped to 13.25%.

Federal student loans are offered and readily available to assist students with the cost of attending college, and such loans often carry lower interest rates than private student loans. Interest rates on federal Stafford loans, the most popular and widely borrowed federal student loans, are fixed at 6.8% for loans disbursed after July 1, 2006. It is not known whether the plaintiffs were offered or borrowed federal student loans.

Sallie Mae has not commented on the allegations, but the lawsuits exemplify a year of incidents that have not only tarnished the company's public image but also hurt the company's profits. In a recent filing Sallie Mae announced that recent legislation cutting government subsidies to student lenders has made the profitability of student loans marginal at best. The filing also mentioned the racial discrimination lawsuit.

[Lawsuit Alleging Racial Discrimination](#)

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