LAW SCHOOL LOANS
Lender Code: 834241
America's Top Law School Lender

Volume 3, Issue 12
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NEWSLETTER

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Law School Loans

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Law School Loans Testimonials

Brooke G. says…

I was working for a non-profit organization and really struggling with my monthly payments on my student loans. I decided to call Law School Loans to see what they could do to my monthly payment. My loan advocate was extremely helpful and really went the extra mile to get my payment as low as possible. Thanks so much!

NEW YORK ATTORNEY GENERAL DISCOVERS DISHONEST ALLIANCES BETWEEN SCHOOLS AND STUDENT LOAN COMPANIES

- 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

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NEW IN-SCHOOL DEFERMENT STATUS FOR GRADUATE STUDENTS WITH DIRECT PLUS LOANS

- BROOKE HEATH

The Department of Education implemented a new policy last week that will allow graduate and professional students with Direct PLUS Loans to automatically be enrolled with in-school deferment status based on information reported by schools through the Enrollment Reporting Process (formerly known as the SSCR).

Prior to this change, a student who borrowed a Direct Graduate PLUS Loan had to apply separately for an in-school deferment. Otherwise, the student would have to begin to make payments on the loan while he or she was still in school. Implementing the new guideline will allow students to focus on their schooling and save them the time it takes to complete the application and wait for it to be approved.

Through the Enrollment Reporting Process, graduate and professional students who continue to be enrolled in eligible graduate programs at least half-time will be able to take advantage of this new policy. The new in-school deferments on their Direct Graduate PLUS Loans will remain in effect until the students reach their Academic Completion Dates (ACDs) reported by their schools.

Repayment on a Direct Graduate PLUS Loan will begin once a student reaches his or her ACD; the first payment will be due within 45 days of the deferment period's ending. Because there are no grace-period options with Graduate PLUS Loans, the Direct Loan Servicing Center (DLSC) will notify students 60 days before their deferments end.

Prior to July 1, 2006, PLUS Loans were only available to parents of dependent undergraduate students. However, the federal government has since then made these loans available to graduate and professional students. Graduate PLUS Loans are available to students attending graduate school or professional students pursuing advanced studies in law, medicine, education, pharmacology, or dentistry.

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New In-School Deferment Status for Continued from page 1

In addition to the new policy on Direct Graduate PLUS Loans, Graduate PLUS Loan borrowers can also take advantage of the other benefits of federal student aid, such as deferment, forbearance, and forgiveness options. Deferment and forbearance allow borrowers to temporarily suspend payments due to financial hardships or other adverse situations that hinder them from making monthly payments.

The Graduate PLUS Loan is intended to supplement federal Stafford Loans with the aim of covering a graduate or professional student's full cost of attendance.

In order to be eligible to receive a Graduate PLUS Loan, a borrower must be a U.S. citizen or eligible non-citizen, complete the Free Application for Federal Student Aid (FAFSA), be enrolled in an eligible graduate or postdoctoral program, and be creditworthy.

New York Attorney General Discovers Continued from page 1

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.

NEWS IN BRIEF

SENATORS URGE BUDGET COMMITTEE TO INCREASE THE PELL GRANT

Led by Russ Feingold, a bipartisan group of about 40 senators sent a letter to the Senate Budget Committee pressing for an increase in the maximum Pell Grant award for fiscal year 2008 from $4,310 to $5,100. The senators also penned their support for need-based financial aid programs such as the Supplemental Educational Opportunity Grant and the Perkins Loan Revolving Fund. Feingold's colleagues in the effort included Susan Collins, Edward Kennedy, and Norm Coleman. As a result of surging college costs, the Pell Grant has not been able to retain its value in terms of funding a student's education. While in 1975 the maximum Pell Grant covered about 80% of a student's college costs, in 2001-2002, it only covered about 42% of the average recipient's costs; in 2005-2006, this statistic dropped to 33%.

BRIGGS LIKELY TO BE ASSISTANT SECRETARY OF EDUCATION FOR ELEMENTARY AND SECONDARY EDUCATION

Kerri L. Briggs, Deputy Assistant Secretary for Planning, Evaluation, and Policy Development in the Department of Education, is likely to become Assistant Secretary of Education for Elementary and Secondary Education in the Bush administration. President Bush nominated Briggs for the post. She earlier served as Senior Policy Advisor in the Office of the Deputy Secretary for the Department of Education and worked on matters pertaining to the No Child Left Behind Act and the Individuals with Disabilities Education Act. Briggs joined the department as Senior Policy Advisor in the Office of Elementary and Secondary Education in 2001 and prior to that was a research associate and director of evaluation at the University of Texas Center for Reading and Language Arts.

COMMITTEE ON EDUCATION AND LABOR ASKS STAKEHOLDERS FOR INPUT ON HEA

Committee on Education and Labor Chairman Rep. George Miller and Ranking Member Rep. Howard P. McKeon, along with Lifelong Learning and Competitiveness Subcommittee Chairman Rep. Ruben Hinojosa and Ranking Member Rep. Ric Keller, recently sent a letter to stakeholders in the higher-education community. The letter asks them to submit their ideas and recommendations regarding the reauthorization of the Higher Education Act.

It particularly requests views on closing access and completion gaps for first-generation, low-income, and minority students; improving the financial aid delivery system; improving academic, financial, and social college preparation; developing finance and management models to address rising college costs; and increasing transparency

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with regard to college costs and the accreditation process for students and their families.

DEFAULT RATES REPORTED BY GUARANTEED-STUDENT-LOAN PROGRAM MAY BE LOWER THIS YEAR

Data provided by the Department of Education to guarantee agencies hint at a decline in the default rate of borrowers who have taken out loans through the guaranteed-student-loan program. During the previous year, the default rate rose to 5.1% from an all-time low of 4.5%. This year, it is expected to drop to 4.9%. Draft cohort data on default rates calculate the number of defaulting student-loan borrowers as a percentage of the total number of borrowers entering repayment in the previous fiscal year. Although subsidies to lenders are experiencing a steady decline, this preliminary data may bring some relief to the lending industry.

IOWA PROPOSES TAX BREAKS FOR EMPLOYERS WHO PAY OFF STUDENT LOANS

According to a proposal introduced by Iowa legislators, employers paying off employees' student-loan debt should be eligible for a tax break. The move is a way to slow down the flight of Iowa's graduates to other states. The plan proposes a three-year loan-repayment arrangement, under which employers could pay debts of new employees as large as $25,000. The scheme would allow an employer to repay up to 20% of an employee's debt during the first year, up to 30% during the second year, and up to 50% during the third year; as a result, an employee continuing in a job for three years would have his or her entire loan paid off. In return, the employer would benefit from a phenomenal 30% tax credit. According to a report released by the Pew Charitable Trusts, the average Iowa public-college student graduates with $23,198 in debt, the highest average debt in the nation for students graduating from public universities.