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NEWSLETTER

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Law School Loans

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Law School Loans Testimonials

Tammy R. says...

Thank you Law School Loans for your help. I was surprised to find this process relatively speedy & stress free. I will be forwarding my younger sister to you as well since you did such a great job.

EDUCATION FINANCE PARTNERS PLANS TO DEFEND ITSELF IN LAWSUIT FILED BY NEW YORK ATTORNEY GENERAL

- 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

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LAWMAKERS INTRODUCE THE COLLEGE AID MADE EZ ACT

- BROOKE HEATH

Last week, key House lawmakers introduced a bill that would simplify the application that parents and students must complete to receive federal financial aid for college.

The Free Application for Federal Student Aid (FAFSA) is, in its current state, a complex, five-page form. Lawmakers feel that this prevents students from applying for the federal financial aid they need to attend college.

"The application process for federal college aid could confuse even tax experts, let alone students and parents. It is ridiculous that major companies can fill out a 13-question form to apply for a million-dollar loan, but students and parents must answer over 100 questions to apply for college financial assistance," said U.S. Rep. George Miller (D-CA), the chairman of the House Education and Labor Committee.

With deadlines to receive federal aid fast approaching, lawmakers want to condense the form to two pages to help make the college loan and scholarship application process more efficient and fairer for students and families. Condensing the FAFSA is part of the College Aid Made EZ Act introduced by U.S. Reps. George Miller (D-CA) and Rahm Emanuel (D-IL).

"This bill will simplify the financial aid process and help expand college access for all qualified students—an important part of our plans to make college more affordable," Miller added.

According to the U.S. House of Representatives Committee on Education and Labor, the College Aid Made EZ Act would simplify the federal college aid application process by:

- Establishing a FAFSA-EZ form that would cut the FAFSA down from its current length of five pages to just two, significantly reducing the number of questions that students and families must answer to qualify for college aid;

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Comments may be sent to the editor, Carleen Trapp, by calling 626.243.1881.

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- Creating a pre-FAFSA to allow students and parents to apply for financial aid while students are juniors in high school, providing families one extra year to plan for how to cover college costs;
- Encouraging coordination with the Internal Revenue Service to use information the government already has, eliminating the need for applicants to re-submit income and asset information they have already provided on their tax forms; and
- Improving online access to the FAFSA, speeding up the application process, and allowing more students to apply for aid via the Internet.

Miller and Emanuel feel that simplifying the FAFSA application process is a key element in solving the problem of America's decreasing college completion rates and overall economic competitiveness.

Education Finance Partners Plans to Continued from page 1

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.

NEWS IN BRIEF

NEW BILL MAY SIMPLIFY THE FAFSA

The College Aid Made EZ Act, a bill sponsored by U.S. Representatives George Miller and Rahm Emanuel, would simplify the paperwork required for the Free Application for Federal Student Aid (FAFSA). Presently, to qualify for grants, loans, or aid offered by higher education institutions, students need to fill out an application consisting of 100 questions and more than five pages accompanied by three pages of instructions. Critics observe that, at times, students and their families avoid answering or fail to answer all of the questions, which results in their not receiving benefits for which they are eligible. If passed, the new law would create an abbreviated "FAFSA-EZ" form for students whose families earn less than $20,000 or students who pre-qualify for certain government aid programs, such as the earned income tax credit or food stamps. The bill also aims to simplify the form for everyone else and gives the Department of Education five years to condense the application so that it contains 50 or fewer questions. Department of Education officials contend that current financial aid formulas require the information requested on the FAFSA form and that any alteration would require an act of Congress.

PROPOSED LEGISLATION MAY END MARRIAGE PENALTY ON STUDENT LOAN DEDUCTION

Individual taxpayers are currently allowed a tax deduction of $2,500 in student loan interest. When married and filing a joint return, a couple is allowed the same deduction, even if both spouses have student debt. New legislation introduced by Congressman Lee Terry proposes an alteration of the U.S. Tax Code to end the marriage penalty. The Married Student Debt Relief Act would allow a deduction of $5,000 for married couples who file joint tax returns when both spouses are paying off student loans. According to Terry, the $2,500 deduction for a married couple illustrates unfairness in the Tax Code, and couples should not be penalized because they are married. Terry also proposed the Parents' Tax Relief Act of 2007, which, apart from eliminating the marriage penalty, makes the child tax credit permanent, broadens the dependent care tax credit for stay-at-home parents with young children, and encourages telecommuting.

U.S. DEPARTMENT OF EDUCATION SUED FOR ALLEGEDLY OVERCHARGING STUDENT LOAN BORROWERS

A class-action lawsuit was filed against the U.S. Department of Education, which allegedly overcharged about 3 million student loan borrowers due to a computer error. Filed by law firm Sprenger & Lang, the suit alleges that a complex billing problem has affected $72 billion in consolidated loans. It says that the department charged borrowers late fees despite the fact that their payments had been made on time. Lead plaintiff Brenda K. Pfeiffer discovered that although she made her June payments on time, she was penalized for not making

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a separate payment for days between the date of her June payment and June 30; her next payment was not due until July 21. The fines imposed were added to her outstanding principal and, thus, capitalized. The Education Department's student loan programs have long been surrounded by controversy and have come under Congressional inspection. Investigations into potential mismanagement and conflicts of interest have led to new legislation proposals calling for a revamping of the functions of the two major federal student loan programs.

DAVIDSON COLLEGE TO ELIMINATE STUDENT LOANS

North Carolina's Davidson College has announced that it will eliminate student loans in need-based aid packages and provide students with more grants and work-study programs, effective August 2007. The only national liberal arts college in the nation to adopt such a policy, Davidson intends to raise additional funds to fuel the initiative. According to Chris Gruber, vice president and dean of admissions and financial aid, recent capital campaigns raised about $90 million for financial aid, and more campaigns will fund grants and student-employment programs. With the new move, the college aims at allowing students to graduate debt-free. Davidson intends to cover 100% of a student's demonstrated need with grants and work-study opportunities. However, educational loans will also be available.

KENNEDY'S LETTER ASKS PRIVATE LENDERS TO REVEAL FINANCIAL DEALS WITH SCHOOLS

Massachusetts Democrat and Chairman of the Education Committee Senator Edward M. Kennedy wrote a letter to 16 student loan lenders, including Sallie Mae and Nelnet, expressing concerns that private lenders may be granting improper favors to schools they have offered federally guaranteed student loans. The letter asked the companies to provide all documents pertinent to their financial deals with higher education institutions. In a statement, Kennedy said that he had learned of "a number of disturbing lender tactics," including providing college administrators with free sporting-event tickets and luxury-hotel accommodations. The move comes on the heels of a letter written by the Attorney General of New York, Andrew M. Cuomo, to 400 college presidents stating that his investigation had found evidence of inappropriate incentives provided by lenders.