



# NEWSLETTER

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## Law School Loans Testimonials

**Rachel E. Says:**

Law School Loans was able to consolidate my private loans at 7.85%, which is almost 2.00% lower than the interest rate I had prior to consolidation. Their loan specialists were very helpful and extremely knowledgeable. They made the process quick and easy, which was a great. Thanks Law School Loans!

## NEW YORK ATTORNEY GENERAL INVESTIGATES RELATIONSHIPS WITH ALUMNI ASSOCIATIONS

- BROOKE HEATH

This week, New York State Attorney General Andrew M. Cuomo continued his investigation into the student loan industry by publicizing that he has served subpoenas and requests for information to 90 college alumni associations. Cuomo is requesting that the associations provide information on their relationships with Nelnet, a nationwide student loan company.

The alumni associations are under scrutiny for possibly receiving payments from Nelnet in exchange for encouraging members of their associations to consolidate their student loans with Nelnet.

According to a recent press release from the attorney general's office, some of the 90 alumni associations subpoenaed include associations at the Juilliard School, Niagara University,

Le Moyne College, Manhattan College, City College, Iona College, and SUNY (the Buffalo, Cortland, Fredonia, and Upstate Medical Center campuses), all of which are New York-based colleges. Other nationwide partners with Nelnet include San Jose State University, UC Riverside, James Madison University, Old Dominion University, and the University of Illinois.

Regarding this new investigation, on Thursday, Cuomo said, "Unfortunately, it appears that student loan scams don't end at graduation. Today we have taken the next step in bringing justice to students and former students who have been victimized by the college loan industry. Our latest action targets alumni associations across the country and their relationships with...Nelnet."

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## NEW YORK LEGISLATURE ENDORESES SLATE ACT

- BROOKE HEATH

This week, legislation was passed in New York that will protect college students and their families from conflicts of interest regarding student lending. Initiated by New York State Attorney General Andrew M. Cuomo, the Student Lending Accountability, Transparency, and Enforcement (SLATE) Act of 2007 will provide a solution to recent scandals that have affected students and families across the country.

According to Higher Education Washington, Inc.'s *NewsLine*, the SLATE legislation "addresses problems exposed as a result of the Attorney General's ongoing investigation into the widespread conflicts of interest throughout the...industry." This legislation has been approved by members of New York's congress who hope it will serve as a precedent for other states attempting to end dishonest alliances between schools and certain lending companies.

According to a press release from Attorney General Cuomo's office, the Student Lending, Accountability, Transparency, and Enforcement Act (SLATE):

- Prohibits lenders from making gifts—including the practice of revenue sharing—to colleges and universities or their employees in exchange for any advantage in loan activities.
- Bans colleges and universities from soliciting, accepting, or receiving any gifts whatsoever—including those construed as part of a revenue-sharing practice—from lenders in exchange for advantageous loan consideration.
- Bars college and university employees from receiving any advantage, reimbursement, or benefit from serving as a member of a lender's advisory board.

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- Prohibits lender employees and agents from posing as college or university employees, including staffing the school's financial aid offices with lender employees.
- Bans lenders and schools from agreeing to certain quid-pro-quo high-risk loans that prejudice other borrowers or potential borrowers.
- Prohibits schools from linking or directing potential borrowers to any electronic master promissory note or other loan agreement that does not allow students to enter

a lender code or name for any lender offering the relevant loan at that guaranty agency.

Attorney General Cuomo said, "While my investigation into the \$85 billion-a-year college loan industry expands, I applaud the Legislature for committing to ensure that New York's college-bound students are protected as they finance their education. New Yorkers will have the confidence in knowing that state law will be on their side when dealing with the college loan industry. The passage of this landmark legislation underscores New York government's legacy of putting forth progressive, effective legislation and leading the nation by example."

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Cuomo is also looking into the types of payments that were given to the associations. According to Higher Education Washington, Inc.'s *NewsLine*, these payments "may include revenue sharing and other payments."

Cuomo also added, "Our investigation seeks to put an end to kickback schemes and the payoffs that benefit lenders and their partners—be they schools or alumni associations—at the expense of students trying to control their debt."

## NEWS IN BRIEF

### **MILLER ASKS WHITE HOUSE AND EDUCATION DEPARTMENT FOR DETAILS ON STUDENT PROGRAMS**

Chairman of the House Education and Labor Committee, Rep. George Miller, wrote a letter to both the White House and the U.S. Department of Education seeking additional information about the "stewardship" of the federal student loan and Reading First programs. The letter states that the Committee's ongoing investigations into the programs have revealed "serious oversight failures" by senior level White House and Department of Education officials. Miller requested that the White House provide him with all communications about the two programs beginning January 20, 2001, including those of Education Secretary Margaret Spellings, who was then a domestic policy adviser. He similarly asked the Department of Education for emails and other communications of former Education Secretary Rodney Paige and other senior officials. The letter also includes revelations by *The Washington Post* that in 2001 the Bush administration killed a policy proposal constructed by the Clinton administration; the proposal would have addressed the controversial gifts and inducements given by lenders to colleges for business favors.

### **CUOMO MEETS MORE SUCCESS WITH HIS CODE OF CONDUCT**

In a press release New York Attorney General, Andrew M. Cuomo, announced that six more colleges had agreed to his College Loan Code of Conduct. The institutions are Marist College, Pratt Institute, Lewis & Clark, Manhattanville

College, Mercy College, and Texas Christian University. With this, the total number of schools that have agreed to abide by Cuomo's Code of Conduct has increased to 21. Cuomo said, "The tide has turned. Schools and lenders are no longer defending these practices or refusing to recognize the problem - they are looking for a solution." The attorney general has targeted 20 lenders and about 100 colleges and universities.

### **ENZI'S CODE OF CONDUCT**

US Senator Mike Enzi, Ranking Member of the Senate Health, Education, Labor, and Pensions (HELP) Committee introduced a bill that would protect students and their families by laying down a lender's code of conduct.

The code of conduct prohibits institutions from receiving any kickbacks from colleges. The prohibition not only applies to gifts and trips, but also to serving on advisory boards and consulting contracts. Banning schools from designating "preferred lenders," the bill requires institutions to provide students with a guide for their purpose of analyzing the loan services offered by lenders. Apart from other features, the bill requires an annual attestation of college compliance by a top college official with the code of conduct.

### **UT FINANCIAL AID OFFICERS REPORTED TO ACCEPT MEALS AS FAVORS FROM LENDERS**

University of Texas financial aid officers have been reported by newspapers to accept lunches and breakfasts as favors for being on the institution's preferred lender list. The Office

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of Student Financial Services kept a record of the meals and ranked lenders on the basis of the number of lunches, breakfasts, and extracurricular functions for the entire staff. These rankings were said to have been included in the lender analysis, along with data of the company's loan volume, customer service, and other details. However, the acting director of the office told one of the newspapers that the treats were not related to their decision on the preferred lender lists.

## **MILLER ASKS FTC FOR INVESTIGATIONS INTO DECEPTIVE MARKETING BY PRIVATE LENDERS**

Rep. George Miller has initiated a new row of inquiry in the controversial student lending issue. The chairman of

the House Education and Labor Committee has asked the Federal Trade Commission to investigate the unfair and deceptive practices of lenders for marketing their products and services to students. According to Miller, private lenders send marketing letters to students, which are often designed to "confuse or mislead" the students. Miller also warns of the official government logos and threatening language directed to scare students to accept their products. In a letter to Deborah Platt Majoras, Chairman of the Federal Trade Commission, Miller attached two examples of the deceptive marketing.