



NEWSLETTER

IN THIS ISSUE:

- + **Cuomo bulldozer still**
- + **New Legislation Introduced**



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Law School Loans Testimonials

**Thomas M., Boston, MA
says...**

"Law School Loans helped me consolidate all of my private loans after I graduated. Now I am only making one payment each month. Not only did they make my student loan debt easier to manage, but I am also saving over \$300 each month! I would like to thank them and I will definitely recommend them to all of my colleagues."

CUOMO BULLDOZER STILL AT THE JOB

- GITANJALI HAZARIKA

The student loan industry suddenly finds itself fighting for life when the final Senate-Cuomo blitzkrieg erupted out of the Capitol Hill in front of them. The business of providing student loans is perhaps the most threatened these days.

New York Attorney General Andrew M. Cuomo who rang the bell on student loans abuses and exposed universities and lenders' links now plans to widen his probe. Earlier, while testifying before the Senate Committee on Banking, Housing and Urban Affairs, Cuomo said that he hopes to examine what criteria the lenders use in underwriting of these loans, and if they infringe civil rights statutes. He also said that the Federal regulators were "asleep at the switch" while abuses occurred in the student lending system. This is also the reason why Cuomo's AG office had to step in. Stating it to be "a moral issue," Cuomo said that 90% of all the students select their lenders from their college's preferred-lender lists. He also said that on the private loan side the perks and revenue sharing agreements were "rampant." Cuomo said that by not providing adequate financial aid and not framing policies for financial aid system, the government has "victimized" the students and their families.

The hearing was called by Chairman Christopher J. Dodd to examine the role of private student lending in financial aid system. The Congress must act to ensure that consumers can make informed student loan decisions, said Senator Dodd, who chairs the Senate Banking Committee. "We must not allow young, unsophisticated borrowers and their families to be subjected to practices that deny them the ability to obtain credit on fair, transparent, and reasonable terms," he reiterated.

Post hearing, in another major move, Cuomo and the Committee sent a joint letter to the nation's 20 largest student lenders, demanding information on how these lenders set rates and fees on student loans. The deadline set for the lenders to provide the information has been set until the end of the next week. The information will include "college, college location, graduation rate, historic default rate, gender, age, parental income, credit history, and any other factors used or considered in underwriting determinations." Again, as part of a growing investigation into possible discrimination in student lending, the House Education Committee has also made a similar request to five prominent student lenders. This has been done in order to ascertain if these lenders were discriminatory in their offers to students at predominately minority colleges.

Incidentally, Cuomo's nationwide investigation into the student loan industry has resulted in 25 schools and five loan providers agreeing to abide by Cuomo's Code of Conduct. Again, with schools, top money lenders, and universities reimbursing to settle scores with the Attorney General's office, the response to this move is also not very unpredictable.

Senate Banking Committee Chairman And New York Attorney General Call On
www.r8ny.com/node/12402

Demands for Loan Information
topics.nytimes.com/top/reference/timestopics/subjects/s/student_loans/index.html

Dodd, Cuomo Call on 20 Lenders To Detail Underwriting Criteria
www.bloomberg.com/apps/news?pid=conewsstory&refer=conews&tkr=JPM:US&sid=a61b8hXSj8f0

Continued on page 2



NEWSLETTER

NEW LEGISLATION INTRODUCED TO FORGIVE PRIVATE STUDENT LOANS UPON BANKRUPTCY - BROOKE HEATH

This week, legislation was introduced by Illinois Senator Dick Durbin (D) that would allow private student loans to be forgiven upon bankruptcy. Currently, neither private nor federal student loans will be discharged for a borrower who files for bankruptcy, with the rare exception of extreme hardship.

Private student loans, also known as alternative loans, offer students an option other than federal student loans, which are backed by the federal government. Private loans are borrowed through private institutions but are not administered by the Federal Family Education Loan (FFEL) Program.

While private loans can be beneficial to students who find that federal loans cannot cover all of the costs involved with obtaining an education, they can also be a financial burden to repay. This is because private loans usually have very high interest rates and fees. According to Higher Education Washington, Inc.'s *NewsLine*, some private loans have been reported to have variable interest rates of 15% or higher. Also, unlike federal student loans, private loans usually have higher loan limits, and there are no public regulations governing the terms and costs associated with private student loans, as there are with federal loans.

"Private student loans are incredible money-makers for loan companies, and students end up saddled with sky-

high interest rates and mountains of debt," said Senator Durbin. He continued, "I don't think many 17- or 18-year-old students realize the long-term impact of their loan decisions. Some of these private student loan repayment schedules—with double-digit interest rates—can follow a student borrower from graduation to the grave."

According to a press release on the senator's website, the sector of private student loans is the fastest growing and most profitable in the student loan industry. The press release also said that in 2006, private loans accounted for around 20% of total student loan borrowing, compared to only 5% 10 years ago.

Prior to a change in 2005, the bankruptcy code allowed borrowers to discharge private student loans but not federal student loans. However, the 2005 modification prohibits private student loans from being forgiven upon bankruptcy. This provision protects the private lending industry's investments.

Senator Durbin's legislation would reverse the 2005 change to the bankruptcy law, ensuring that private student loans would again be discharged upon filing for bankruptcy. According to the senator's website, this would place private student loan lenders in the same position as all other private creditors.

NEWS IN BRIEF

CUOMO, LENDERS TESTIFY BEFORE U.S. LAWMAKERS

New York Attorney General Andrew M. Cuomo, who rang the bell on student loans abuses and exposed universities and lenders' links, now plans to widen his probe. He hopes to examine what criteria the lenders use in underwriting these loans and find if they infringe civil rights statutes. While testifying before the Senate Committee on Banking, Housing and Urban Affairs, Cuomo said that the federal regulators were "asleep at the switch" while abuses occurred in the student lending system.

This is also why Cuomo's AG office had to step in. Stating it to be "a moral issue," Cuomo said that 90% of all students select their lenders from their college's preferred-lender lists. He also said that on the private loan side the perks and revenue sharing agreements were "rampant." Cuomo

said that by not providing adequate financial aid and not framing policies for the financial aid system, the government has "victimized" the students and their families.

Barry W. Goulding, senior vice president, testified for Sallie Mae and said that lenders consider the borrower students' institutions while determining the interest rate, fees, and other terms of loans they extend to students. The hearing was called by Chairman Christopher J. Dodd to examine the role of private student lending in the financial aid system.

WISCONSIN UNIVERSITY'S NEW STUDENT LOANS RULES

The University of Wisconsin is reviewing a new proposal to bar the student lenders from bribing with gifts and payments in exchange for students. The proposal is up



NEWSLETTER

for approval this week. The university wants to reassure those students seeking loans that it has their best interests in mind, notwithstanding the industry currently mired in controversy. It would also set out how university employees and companies can evade improper relationships.

The UW System Board of Regents controls 26 different four- and two-year colleges, and its students took out a record \$592.7 million in loans in 2005.

The UW plan has provided that employees can serve on advisory committees but cannot be rewarded. The school can keep a list of preferred lenders with a minimum of three companies. In case of the student loan companies notifying students that they are not required to choose those listed, they will have to undergo a strict selection process. The plan also includes asking schools to disallow lenders to operate call centers to assist students with financial aid queries.

TWO NEW APPOINTMENTS AT ELM RESOURCES

ELM Resources, the only not-for-profit mutual benefit corporation serving the student loan industry, announced two new appointments to the management team. They are Alice Boyd, appointed as the chief resource officer (CRO) and vice president of human resources and training, and Eric Chang, who has joined as director of marketing.

As CRO and VP of human resources and training, Boyd's role will include motivating the HR department to create a strong team. She will also continue to direct all training on ELM Net and the ELM National Disbursement Network for schools, lenders, guarantors, and service agencies.

Chang, with more than a decade of experience in marketing of communications and products, will make strategic marketing plans for the company. ELM provides a common, non-proprietary, and open data exchange and disbursement system that effortlessly builds links between schools, lenders, and the guarantors.

REAUTHORIZE HIGHER EDUCATION ACT, SPELLINGS URGES CONGRESS

Inaugurating the first of five regional higher education summits, Secretary Spellings urges Congress to enact a comprehensive Higher Education Act (HEA) reauthorization bill to improve college access, affordability, and accountability for all citizens. She says that higher education reauthorization must be more "comprehensive" than current law, which she feels will be able to "fix what's broken." The summit aims to bring stakeholders and policy makers together to discuss not only the Commission on the Future of Higher Education's recommendations, but also to assess progress and assign specific responsibilities and action for the future.

The five regional summits will focus on five key recommendations from the commission's report. Another priority of the summit is to streamline the free federal student aid (FAFSA) application system. Referring to the financial aid system as being "redundant, confusing, Byzantine, and broken," she says the new law should concentrate on access and accountability as well as on paying for college. The existing law is focused mainly on money-and how to spend it-Spellings added, saying that college prep programs aligned with rigorous standards should be included in the law. She also wants Pell Grants to be available year-round, in part to help adult students, who may have jobs and families, take courses whenever their schedules permit.

LAWRENCE WARDER NAMED ACTING COO OF FSA

U.S. Education Department Chief Financial Officer Lawrence Warder has been designated as new acting chief operating officer of Federal Student Aid (FSA), effective June 1. Warder has nearly four decades of experience in management consulting and has extensive expertise in financial issues. He joined the department in July 2006.

Created in 1998 by Congress as a performance-based organization, the FSA delivers approximately \$77 billion of financial aid each year to more than 10 million students and their families.