



NEWSLETTER

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Hector R. Sacramento, CA
says...

"Since consolidating with Law School Loans was the smartest thing I have done this year. The Loan Consultant that I spoke with took care of everything from entering my loans to contacting all of my lenders. All I had to do was sign my application. It was great! I have saved hundreds of dollars in such a short time. Thanks again Law School Loans."

SALLIE MAE HIT WITH TWO LAWSUITS CLAIMING RACIAL DISCRIMINATION

- 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
www.hewi.net

Sallie Mae Filing
news.yahoo.com/s/nm/20071228/bs_nm/salliemae_dc

Cuomo Investigations
www.usnews.com/usnews/biztech/articles/070411/11loans-index.htm

Federal Subsidies Cut for Student Loan Lenders
online.wsj.com/public/article/SB118491008397572849.html



NEWSLETTER

STUDENT LOAN INDUSTRY FORECAST FOR 2008

- CARINA ZARAGOZA

2007 saw turmoil in the student lending industry. While in previous years talk centered on federal student loan consolidation, giving the industry a huge boost in business, 2007 was laden with headlines on the questionable practices of not only student loan lenders but also colleges and universities themselves.

Beginning in mid-year, investigations and scrutiny regarding the student lending industry began with New York Attorney General Andrew Cuomo's inquiry into the lending and marketing practices of several student loan companies. This investigation began in July 2007, with the Federal Student Aid office (FSA) sending letters to 921 colleges and universities who seemingly had exclusive relationships with certain lenders. The letters were intended to remind the colleges and universities that they are required to provide borrowers various choices of lenders.

In October 78 colleges and lenders were identified as having suspicious business practices and were sent a second letter by the FSA requesting information and documentation. It is possible that evidence will surface of the existence of violation of the Higher Education Act of 1965.

If such evidence surfaces, then the investigation that began in 2007 can lead to further action against these 78 colleges and lenders in 2008. Here are some predictions as to what may occur in 2008:

- More program reviews, which may include on-site visits by the FSA
- Legal standards that enforce regulations and policies
- Probes into lender agreements with school-affiliated organizations
- Limitations on lenders and schools

The U.S. Department of Education has a long way to go, and the activity we saw in 2007 is only the beginning. Increased pressure by outside agencies and offices, such as Cuomo's office, should lead to further investigations, fines, and penalties. We have already seen a settlement by a Florida company that specialized in direct marketing of student loans. It is not unreasonable to expect further settlements in 2008.

July 2007 Investigation

www.insidehighered.com/news/2007/07/10/nasfaa

Settlement of Florida Direct Marketing Company

www.bizjournals.com/albany/stories/2007/12/10/daily12.html

Federal Student Aid Office

www.ed.gov/about/offices/list/fsa/index.html

Higher Education Act of 1965

www.higher-ed.org/resources/HEA.htm



NEWSLETTER

NEWS IN BRIEF

FEDERAL CUSTOMS HOUSE TO BE RENOVATED INTO MEMPHIS LAW SCHOOL

Ownership of the former U.S. Customs House/Postal Office in downtown Memphis was recently transferred to the Tennessee state government, which will use the site for the new University of Memphis Law School. The transfer, which took place on December third, is the final step before initial construction begins on the site sitting at the intersection of Front St. and Monroe Ave. in Memphis. School officials anticipate that the renovation will be complete in early 2009 and expect to enlist 500 students and faculty by the fall of that year. Funding for the project is provided by the state government and is estimated to cost \$42 million. It has been officially listed as a "capital outlay project." Local foundations, in conjunction with a private \$12 million development plan, have thus far raised almost \$10 million from businesses and legal practitioners in Memphis. These funds will be allocated to cover the cost of the move of Memphis's U.S. Postal Office from the customs house to its new location.

GREENSBORO CHARITIES RECEIVE DONATIONS FROM PUBLIC INTEREST LAW SOCIETY

The Public Interest Law Society (PILS) at Elon University School of Law has fulfilled the charitable sentiment of the season through recent donations to the Angel Tree drive for Freedom House and the Salvation Army. Freedom House is an organization which provides aid to substance-addicted single mothers and their children. The donated items included clothing, toys, toiletries,

and other basic necessity items. PILS co-president Rheanna Gaskin noted the gratitude of those receiving the donated items in observing, "The mothers at Freedom House were very emotional and extremely overjoyed. They were ecstatic because they were able to give their kids a gift for Christmas. Seeing the reaction of the mothers and their children when we walked in the door with those gifts made it all worthwhile. They were absolutely thrilled!" Gaskin delivered the items herself with PILS co-president Kristin Cook on December 11th.

UNIVERSITY OF UTAH LAW SCHOOL FACULTY TO WORK WITH PROSECUTORS IN AFGHANISTAN

The University of Utah's S.J. Quinney College of Law recently announced that 20 of its faculty members will be involved in a project with Afghan prosecutors to help develop the nation's fledgling legal system. It is hoped that the partnership will help establish basic ground rules and a framework for the practice of law and justice in Afghanistan, which is still struggling to find stability in a post-Taliban era. The program has been officially named the Public-Private Partnership for Justice Reform in Afghanistan and was formally announced on December 13th at an event hosted by U.S. Secretary of State Condoleezza Rice and Afghanistan Attorney General Abdul Jabar Sabit. The primary aim of the collaboration is to train Afghan legal professionals in the areas of institutional justice reform, criminal procedure, and human rights, as well as investigation, indictment, prosecution, and management.

