



# NEWSLETTER

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## Law School Loans

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## Law School Loans Testimonials

**Andy L. Boston, MA says...**

The customer service at Law School Loans is outstanding; definitely exceeded my expectations of a student loan company. I was impressed with the attention given to me and my schedule. I had scheduled an appointment to speak with a Loan Consultant (first of all, unheard of in this industry). Something came up and I had to reschedule. So she set up a time that worked better for me. I appreciate Law School Loans' understanding of a law student's busy schedule and their efforts to accommodate me. This is one of the many reasons I chose to consolidate with Law School Loans. I just never experienced such customer service from a student loan company.

## NEW JERSEY LOAN GUARANTOR AND ATTORNEY GENERAL REACH SETTLEMENT

- CARINA ZARAGOZA

The New Jersey Higher Education Student Assistance Authority (HESAA) and the New Jersey Attorney General have reached an agreement that ends an investigation into the loan guarantor's business dealings with two Federal Family Education Loan Program (FFELP) lenders. The details of the agreement were announced in a press release posted on the New Jersey Office of the Attorney General's website.

The state's attorney general, Anne Milgram, and U.S. Senator Edward M. Kennedy (D-MA) opened an investigation last May into the arrangements between the HESAA and two FFELP lenders, Sallie Mae and Nelnet. The investigation examined the legality of the arrangements, which resulted in the HESAA receiving about \$2.2 million per year from the lenders. The monies were a percentage of the volume of the loans steered towards the lenders by the HESAA. These business practices may have been in violation of the New Jersey Consumer Fraud Act, prompting the investigation.

While similar allegations were made about several college financial aid offices and student loan lenders, these were the first of their type to be made regarding a guaranty agency. The settlement (agreed to by both parties on February 6, 2008) reached between the HESAA and the attorney general's office represents an end to that investigation.

Among the agreements made between the HESAA and the state attorney general, referred to as an Assurance of Voluntary Compliance:

- \$7.8 million that the HESAA received from the lenders will be used to increase benefits to students, including:

- Lowering student loan rates
  - Paying default fees
  - Providing scholarships
  - Increasing student loan forgiveness programs
- Independent monitoring of the HESAA will occur to ensure compliance with the agreement.
  - Arrangements with lenders will end.
  - Certain marketing practices will cease.
  - A code of conduct will be adopted.
  - A chief compliance officer will be hired within 60 days of the agreement to ensure the HESAA complies with state and federal laws.

To further ensure proper relationships between lenders, schools, and state agencies, Attorney General Milgram distributed a code of conduct to all New Jersey public and private higher education institutions. The code of conduct "prohibits financial ties between schools and student lenders." Forty-one colleges and universities have thus far signed the code of conduct voluntarily. A few colleges and universities have adopted their own codes of conduct, which are being reviewed by the attorney general's office to ensure they are similar to Milgram's own. About nine colleges and universities have not adopted codes of conduct and are being investigated by the attorney general's office.

The HESAA contributes \$1.2 billion in financial aid to New Jersey students each year. The funds are administered to students in the forms of scholarships, grants, and loans. The HESAA has been providing financial aid

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since 1959 and is one of 34 such guaranty agencies in the country.

## On the Net

Inside Higher Ed  
[www.insidehighered.com](http://www.insidehighered.com)

Assurance of Voluntary Compliance  
[www.nj.gov/oag/newsreleases08/HESAA-Assurance-of-Voluntary-Compliance.pdf](http://www.nj.gov/oag/newsreleases08/HESAA-Assurance-of-Voluntary-Compliance.pdf)

Attorney General Issues Loan Code of Conduct for State Colleges and Universities  
[www.nj.gov/oag/newsreleases07/pr20070904a.html](http://www.nj.gov/oag/newsreleases07/pr20070904a.html)

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## MHESLA DISCONTINUES LOAN PROGRAM

- CARINA ZARAGOZA

The Michigan Higher Education Student Loan Authority (MHESLA) has announced the discontinuation of a loan program that was made available only to students attending Michigan colleges and universities. The loan program has been put on hiatus and has not been terminated completely.

The MHESLA indicated the loan program would be discontinued at the close of business on Friday, February 15, 2008. Applications were no longer accepted after close of business on Wednesday, February 13, 2008. Any loan applications received prior to this date, if approved, will be honored and disbursed as outlined in the program.

The MHESLA cited "current and unprecedented capital markets disruption" as the impetus for discontinuing the loan program. The MHESLA does not have any capital to continue making loans. It has assured students and parents that the program will be reinstated once funds become available.

Recent weeks have seen several lenders withdraw both their federal and private student loan programs. Several career colleges were hit hard, as reported by Law School Loans on January 30, 2008. Three major lenders, Sallie Mae, College Loan Corp., and Student Loan Xpress, pulled many of their loan programs from career colleges across the country. A key root of the problem is investors' avoidance of student-loan-backed securities auctions. Many auctions have failed, prompting more concern over the state of student loans in the current credit markets.

First Marblehead Corp. reported a failed February 7 auction. In its quarterly filing the company outlined potential negative ramifications of its failed auction. Among the forecasts were higher interest rates and rating downgrades. First Marblehead is not the only company to have experienced unsuccessful auctions. Goldman Sachs Group Inc., JPMorgan Chase & Co., and Citigroup Inc. were unsuccessful in attracting investors, resulting in about \$13 billion in untouched securities.

The Michigan Alternative Student Loan (MI-LOAN<sup>®</sup>) Program was available exclusively to students attending Michigan colleges and universities. Both students and parents were eligible to apply for its credit-based loans, and borrowers had the option of choosing a variable-rate loan or a fixed-rate loan. The maximum amount of each loan was the cost of attendance, allowing students and parents to borrow as much as was needed to pay for school. More than 100 schools within the state of Michigan offered the MI-LOAN<sup>®</sup> Program.

## On the Net

Higher Education Washington Inc.  
[www.hewi.net](http://www.hewi.net)

Student Loan Programs Scaled Back, Some Terminated  
[www.lawschoolloans.com/lslnewsletterview.php?id=97](http://www.lawschoolloans.com/lslnewsletterview.php?id=97)



# NEWSLETTER

## NEWS IN BRIEF

### ADMINISTRATORS AT KENTUCKY LAW SCHOOL RESIGN IN LIGHT OF FINANCIAL TROUBLES

Three school administrators at Paducah, Kentucky's American Justice School of Law resigned on February 11 after a retired surgeon elected to buy the school in a bid to save it from its ongoing financial losses. Dean and founder Paul Hendrick, Associate Dean Jerrod Turner, and Chairman of the Board of Directors Wayne Shelton all resigned in accordance with a plan proffered by Dr. Robert Meriwether in the hope that the school may be rescued from severe economic downfall. Founded in 2005, American Justice is currently seeking accreditation after being denied provisional accreditation by the ABA in August 2007. Collectively, Hendrick, Shelton, and Turner own 75% of the school's stock and are being sued by former board member Tom Osborne and 30 law students for pilfering school funds and violating various laws.

### YALE LAW SCHOOL HOUSING STEADILY DECLINES

Yale Law School may be one of the best legal education institutions in the nation, but its housing situation has deteriorated beyond the point of recovery — at least for now. Recently, the school's last remaining dormitories closed their doors. The school has witnessed a steady

decline in the number of available beds in its dorms over the last decade: in 1994 there were 154 available beds; by 2004 the number had fallen to 56; and last year there were just 23. The closing of the Sterling Law Building dormitories will mark the first time no students have lived there since the law school complex was built in 1931. Former dormitories have been converted into office and clinic space. According to current plans, the university intends to unveil new dormitory housing by 2012.

### JOAN HOWARTH RECOMMENDED AS DEAN OF MICHIGAN STATE UNIVERSITY COLLEGE OF LAW

Joan Howarth, a professor at the William S. Boyd School of Law at the University of Nevada in Las Vegas, has been recommended to serve as dean of the Michigan State University College of Law. Previously, she served as associate dean for four years at the Boyd School of Law, which she helped to establish a decade ago. If approved by the law school's board of trustees, Howarth would become the first woman dean in the school's 117-year history. Reacting to the news, she proclaimed, "I am honored to join this faculty as dean. MSU Law's achievements and the boldness of its ambitions make this one of the most exciting opportunities in legal education."

