

School-Lender Relationships

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School Eligibility Channel

Agenda

- Historical Practices
- Current Policy
- Future Policy
- Questions

Historical Practices

- Preferred Lender Lists
 - School Option
 - Allowed, but not regulated

Current Policy and Regulations

- Regulations
 - The borrower must indicate his or her preferred lender on the promissory note...(34 CFR 682.401)

Current Policy and Regulations

- Regulations
 - A school may not deny access to FFEL because of race, sex, color, religion, national origin, age, handicapped status, income, or selection of a particular lender or guaranty agency...(34 CFR 682.603)

Historical Practices

- Evolution of Preferred Lender Lists
 - Simplification
 - Default Prevention
 - Competition
 - Proliferation of Borrower Benefits

Pivotal Events

- Headlines
 - Lenders Misusing Student Database
 - Improper Searches Raise Privacy Fears
 - Swimming With Student Loan Sharks
 - University named in report detailing student loan abuse
 - Panel Finds Wide Abuse in Student Loan Program

Responses

- Negative Public Perception
 - Inappropriate Relationships
 - Quid pro quo
 - Corruption

ED Responses

- Dear Colleague Letters
- Negotiated Rulemaking – Began in 2006
- Publication of Final Rule – Nov. 1, 2007
- School Reviews

ED Responses

- Objectives
 - Compliance with Current Policy
 - Borrower Benefits/Choice
 - Ensure Transparency

New Policy – Schools

- Effective July 1, 2008
- School may choose to have preferred lender(s) list (includes web processes)
- List must have at least 3 unaffiliated lenders
 - “Unaffiliated” means:
 - No common control or ownership
 - No common directors, trustees, or general partners

New Policy - Schools

- Must disclose method/criteria for lender inclusion on the list
- Must provide comparative information on borrower benefits offered by listed lenders
- Must include prominent statement advising borrowers that use of school preferred lender not required
- Update annually

New Policy - Schools

- Must not cause any unnecessary delays in certification for borrowers not using one of the school's preferred lenders

New Policy - Schools

- Publications, scripts and staff training should comply
- Violations could bring sanctions
- Does not apply to FFEL/Direct Loan choice

New Policy - Schools

- Those Not using Preferred lender lists
 - All FFEL loan certification rules apply
 - School may identify lenders that have made loans to school's students and parents in the past
 - No statement endorsing or recommending a lender

New Policy - Schools

- Provide “neutral” presentation of factors to consider when selecting a lender
 - good borrower benefits
 - good customer service
 - limits on sale of loans, if important to customer

New Policy - Schools

- Encourage web-based searches
- Use the simple statement -
 - “You must select your lender. The aid office cannot do so for you.”

New Policy - Lenders

- Prohibited Activities
 - Payments to prospective borrowers, including prizes and additional financial aid
 - Payments or other benefits to a school, school-affiliated organization, or individual for loan applications, volume of loans made, or placement on a preferred lender list

New Policy - Lenders

- Prohibited Activities
- Payments or other benefits to student lender reps on campus or other solicitors to secure loan applications from prospective borrowers
- Payment of referral or processing fees to another lender or other party
- Payment of conference or training registration, transportation, and lodging costs for school or school-affiliated organization employees

New Policy - Lenders

- Prohibited Activities
- Providing staffing to a school except on a short-term, emergency basis
- Payment of entertainment expenses related to lender-sponsored activities for school or school-affiliated employees

Questions?