Update on Student Loan Issues

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Board of Governors

Student Loan Issues

- Preferred lender lists
- Revenue sharing arrangements
- Incentives, gifts, etc.
- Advisory board participation

- Disclosure
- Staffing, printing, call centers, other assistance
- Use of institution logo
- Alumni associations
Gray Areas and Little Guidance

• Higher Education Act (HEA) prohibits lenders from offering, directly or indirectly, inducements to institutions to secure applicants for Federal Family Education Loans (FFEL)

• HEA includes “safe harbor” provision allowing lenders to provide assistance comparable to what U.S. DOE provides under Federal Direct Loan program.
What Constitutes “Assistance”

• **Counseling**: borrower counseling sessions, counseling materials, developing web-based processes

• **Outreach**: materials, publicity, refreshments, staff

• **Computer Support**: technical support and software

• **Training**: training on FFEL processes, but cannot pay training expenses
Proposed Federal Student Loan Sunshine Act

- Prohibits lenders from offering gifts more than $10
- Prohibits use of institutions’ logos
- Requires lenders to report loan arrangements to U.S. DOE
- Requires preferred lender lists to include 3 lenders and inform students of options
- Prohibits lenders from offering services that create a conflict of interest
Student Borrowing Has Risen

• The number of state university students taking out student loans has risen
  – In FL, 64% growth in number of loans since 1995-96, compared to 39% growth in enrollment
  – Growth in higher income borrowers
  – More students borrowing in excess of federal program limits
How have financial aid offices responded?

• Financial aid office staff have not grown as fast, and in many institutions have not grown at all.

• Technology – electronic processing; moving from paper to electronic documentation

• Lenders have provided some assistance
Recent Events

• BOG inquiry to universities
• Florida Attorney General inquiry to public and private universities and community colleges

• U.S. DOE notice of proposed rulemaking
• Various codes of conduct, settlements
Summary of University Responses

• All universities but one have preferred lender lists
• Selection of lenders based on numerous factors
• No universities have revenue-sharing arrangements with preferred lenders
• Lenders have provided printed materials, food, gifts of nominal value, travel reimbursement to advisory board meetings or training seminars, some staff assistance during peak periods
• Some alumni associations have had arrangements with lenders relating to marketing and loan consolidation
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Next Steps

• Continue information gathering process
• Develop Code of Conduct for adoption by BOG and BOTs that:
  – Provides transparency in financial aid process
  – Provides for full disclosure to students/parents
  – Requires exemplary standards of professional conduct of all persons involved in administering student loans
  – Prohibits any direct or indirect conflicts of interest

State University System of Florida