

Board of Governors

Update on Student Loan Issues

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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



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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.



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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



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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



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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



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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



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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



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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



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