

HEWI Reports Numerous Schools Offer No Choice of Lenders to Students

By Shaileja Mammen

A large number of colleges and universities participating in the Family Federal Education Loan Program reportedly offer no choice of lenders to their students. According to a document obtained by Higher Education Washington, Inc., (HEWI) from the Department of Education, about 300 (32.5%) of the schools regarding which HEWI received information have 100% of their loan volume with just one lender.

A document containing a list of 921 colleges and universities was handed over to HEWI in response to a federal Freedom of Information Act request. The colleges and universities on the list have at least 80% of their loan volume with one lender.

Nearly 25% of the 291 schools that use only one lender have 100% of their loan volume with Sallie Mae, a major player in the education loan industry.

Based on this document, the Department of Education reminded the schools that they were restricting their borrowers' choice of lenders by using just one lender. Preferential treatment of lenders and their relationships with schools have recently faced state and federal investigations. New York Attorney General Andrew M. Cuomo started the investigations, and similar actions were soon taken by Congressional leaders. This has led to new laws in some states and pending federal legislation that has been passed by both houses but is still awaiting the president's approval.

This new federal legislation is aimed at ensuring that no lender gets preferential treatment from a college or university. The legislation requires lenders and schools to provide more information about loans to parents and students.

In August, U.S. Secretary of Education Margaret Spellings again urged schools, lenders, and guarantors associated with them to regulate themselves and adopt the practices suggested in the provisions of the proposed legislation. She also said she would use the tools available to her, ranging from compliance agreements to loss of federal funding, to check violations.