

## IN THIS ISSUE:

- + Senator Herb Kohl
- + Cuomo investigates



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## Graduate School Loans Testimonials

**Victor R., New York, NY**

I want to thank you for your help and patience in dealing with me. You've explained everything perfectly and I feel confident in doing business with you. I hope that if needed, we can do business again in the future.

## SENATOR HERB KOHL INTRODUCES BILL TO HELP STUDENTS REMAIN OUT OF DEBT

- NIHIT AURORA

Predatory lending is the use of unethical lending tactics to keep gullible borrowers in debt as long as possible. Predatory lenders usually target vulnerable groups like students, the elderly, minorities, and people with poor credit records.

This is a widespread practice among mortgage lenders and credit card companies. They flourish by lending to consumers who need more than they can afford. They have a knack for making borrowers believe that the credit they are offering is necessary and affordable.

Recently, U.S. Senator Herb Kohl (D-WI) introduced a bill called the Student Credit Card Protection Act, which is a measure to help students remain out of debt by making student credit card companies adhere to strict and financially accountable lending practices.

Co-sponsored by Senators Gordon Smith (R-OR), Richard Durbin (D-IL), and Claire McCaskill (D-MO), many advocacy groups like the Center for Responsible Lending, National Association of Consumer Advocates, Consumer Federation of America, Consumer Action, Consumers Union, and National Consumer Law Center endorse this bill. The Student Credit Card Protection Act proposes to introduce measures such as:

- verification of the gross annual incomes of students under the age of 21
- co-signatures of parents, legal guardians, or spouses in the cases of students who have no verifiable incomes
- required approval from cosigners for increases in credit

- limitation of credit amounts based on students' annual incomes
- prohibition of issuance of multiple credit cards to students

Credit card companies identify and encourage college students to apply for high-interest charge cards despite their lack of means to make payments or negligible/non-existent credit histories. They often launch glitzy campaigns like sponsoring campus events, setting up tables to solicit students on university grounds, or sending attractive promotional letters to students' on-campus addresses. Very often, the tactics they employ hide the fact that they charge extremely high interest rates. Students find themselves besieged with debt when they realize they cannot pay.

Senator Kohl said that although students ought to remain eligible for debt, this measure makes it certain that they do not receive credit on conditions that they cannot fulfill. Currently, as many students leave universities with high education loans, paying off credit card debt should not add to their existing financial problems.

### On the Net:

Predatory Lending  
[www.hud.gov/offices/hsg/sfh/pred/predlend.cfm](http://www.hud.gov/offices/hsg/sfh/pred/predlend.cfm)

Loan Sharks and Predatory Lending  
[www.loansharks.com/](http://www.loansharks.com/)

Press Release  
[kohl.senate.gov/~kohl/press/07/06/2007801A27.html](http://kohl.senate.gov/~kohl/press/07/06/2007801A27.html)

*Continued on page 2*

To comment to the editor, Carleen Trapp, call 626-243-1881.

## CUOMO INVESTIGATES DIVISION I ATHLETIC DEPARTMENTS

- AMIT AGARWAL

New York Attorney General Andrew Cuomo has launched investigations to find out whether Division I athletic departments have led athletes and other students to education loan providers in exchange for questionable benefits.

Cuomo sent subpoenas to 39 universities and requested documentation on deals made between their athletic departments and Student Financial Services, Inc., a part of University Financial Services (UFS). The 39 colleges include names such as Auburn University, Ohio University, and Texas Christian University. The attorney general is also investigating team names, mascots, and colors that would make it obvious that the company was the colleges' preferred lender.

In a written statement, the company contended that their relationships with various colleges and universities was "part of our generalized marketing efforts, the same as advertising at any sporting event, and do not involve the financial aid departments of the schools." It further stated that it supported the code of conduct and would fully cooperate with the attorney general's investigation.

Several schools have defended their relationships with the lender. They said that the attorney general's office should have questioned them before making the issue public and serving subpoenas.

Texas Christian University said that it was suspending any association with a UFS program arranged through International Sports Properties (ISP), a sports-marketing company. It said that ISP had a contract with UFS and marketed that program to students. According to the university, the athletics department did not receive any revenue from the company.

A spokeswoman for Ohio University contended that the athletics department does not endorse the company's products or steer students toward the company.

During his initial investigations, Cuomo found that the athletic director of Dowling College on New York's Long Island has a revenue-sharing arrangement with University Financial Services. The lender paid \$75 to the college for every new loan application. UFS had exclusive marketing benefits on its campus and used the department's interns to distribute its brochures. As part of its settlement agreement with Cuomo's office, the school had to end its relationship with the company.

The attorney general's investigations have led to settlements with 12 lenders and several colleges. He has been instrumental to the collection of \$13.7 million in payments to a national education fund to assist high school students and their families with student loans.

## NEWS IN BRIEF

### PRIVATE STUDENT LOAN TRANSPARENCIES AND IMPROVEMENT ACT

The Government Accountability Office's recent study on the private loan industry and a series of investigations of college loan offices has lead Congress to debate a number of bills, including the Private Student Loan Transparencies and Improvement Act. The bill, which is under consideration by the Senate, aims to regulate and monitor student loan providers. Authored by democratic presidential candidate and Connecticut Senator Christopher Dodd, the bill requires lenders to provide clear disclosures on their interest rates, fees, terms, and deferral options. It also requires lenders to inform students of their eligibilities for federal loans.

### LOW RESPONSE TO SCHOLARSHIPS OFFERED IN NJBEST PROGRAM

A college-savings plan in New Jersey that provides scholarship money is not being fully utilized by many families. According to *The Record*, only 363 scholarships have been awarded through the plan, which started in 1998. The NJBEST program awards \$500 to \$1,500 in scholarships to families who have invested a minimum of \$1,200 by the time the student enters high school. Though out-of-state students can also invest in the program, only resident families are eligible for scholarships. A reason for the low response to the program is that many families may not know that they have to apply for the scholarship. Another reason may be that eligible students may not be old enough to go to college yet. Many families started investing when their children were very young.

## **AMERICA COMPETES ACT APPROVED BY CONGRESS**

Legislation to promote math and science skills and develop the technology required to compete in the world economy has been passed by Congress. Approved by a voice vote, the America Competes Act will spend \$33.6 billion from 2008 to

2010 on science, technology, engineering, and mathematics research and education programs across four federal agencies. The bill also authorizes competitive grants aimed to increase the number of teachers serving schools of high need and to expand access to higher placements. The bill will now proceed to the White House for President Bush's signature.