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Jackie C., Santa Barbara, CA

The loan representative handling my consolidation was very helpful and the whole process went very smooth with no problems.

SPELLINGS URGES COLLEGES AND LENDERS TO COMPLY WITH NEW LOAN RULES

- AMIT AGARWAL

U.S. Secretary of Education Margaret Spellings sent out letters to colleges, universities, lenders, and guarantee agencies that participate in the federal guaranteed student loan program. The letters urge them to work together on the principles of the new regulations that the department proposed in June. However, the regulations, in light of the congressional "sunshine" acts and New York Attorney General Andrew Cuomo's code of conduct, will not be effective until July 2008.

In a conference call with reporters, Spellings stated that the letter urged for:

- Full disclosure of information about loans to parents and students and disclosure of criteria used in the selection of preferred lenders
- No acceptance any kind of gifts or benefits from lenders in exchange for being included on schools' preferred lenders lists
- Lender employees not to identify themselves as school employees. They should not work in higher education institutions' financial aid offices unless the work is done at fair market value
- Restriction of access to the National Student Loan Database System (NSLDS) that contains data on 60 million student borrowers
- Providing preferred lists only for the best interests of student or parent borrowers

Spellings sent letters to 900 previously identified colleges and universities that have 80% or more of their loans provided by one lender. The letters also went out to those lenders who are sole loan providers for some schools.

Spellings said that the department was currently "monitoring" marketing practices, but it could use tools like compliance agreements, loss of federal funding, and "everything in between" if it found violations by colleges or lenders. She said that the department was waiting for final congressional action on federal student lending and was preparing its own regulations. Spellings said the department would undergo a nationwide search for a new federal student aid chief. Currently, Larry Warder is the acting chief.

The numerous steps taken by Spellings are answers to critics who have blamed her for her laxity toward student lending issues.

On the Net

Embrace Student Loan Reforms, Spellings Urges
www.insidehighered.com/news/2007/08/10/spellings

Education Dept. Seeks Early Compliance on Loan Rules
www.nytimes.com/2007/08/10/education/10education.html?_r=1&ref=us&oref=slogin

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

NELNET RECEIVES DOUBLE WHAMMY: WILL PAY \$1 MILLION SETTLEMENT TO JOE BRUNING IN ADDITION TO ORIGINAL \$2 BILLION SETTLEMENT

- NIHIT AURORA

Nelnet is a leading student loans company in the United States that has diversified business interests in student loan generation, loan servicing, secondary market activities, and guarantor servicing. With offices located all over North America, it believes in making educational dreams possible for students across the United States.

With around \$26.2 billion in assets and \$6 billion in origination volume, Nelnet is the second-largest loans consolidator in the country. Moreover, it is the third largest holder of Federal Family Education Loan Program loans.

In February 2007, New York Attorney General Andrew M. Cuomo began investigations as part of a code of conduct his office drafted. Designed to eradicate practices that create conflicts of interest in the \$85 billion student loan industry, Cuomo's code of conduct revolves around student loan arrangements between universities and lenders.

This code of conduct prohibits certain practices like revenue sharing, giving gifts, funding trips for university professionals, and disclosure of the eligibility criteria and methods that universities use to select preferred lenders. Besides prohibiting employees of lenders from working in college financial aid offices, it is also an important part of settlement agreements between universities and major student loan providers.

Cuomo investigated the referral and lending practices of more than 60 universities, student lenders, and banks across the United States. These investigations revealed serious irregularities within the student loans industry such as payments of illegal kickbacks for inclusion on "preferred lender" lists. This discovery prompted further probing by several lawmakers and the U.S. Education Department.

Cuomo's investigations revealed that Nelnet had entered into referral agreements with around 120 college and

university associations. These agreements allowed Nelnet to use university logos in their promotional materials while Nelnet paid these associations for exclusive referrals of their loans. These payments consisted of either annual fees or percentages of every loan consolidation the associations directed to Nelnet.

Nelnet had also violated the trust that students and graduates place in their universities and associations. Consequently, in a settlement reached with Cuomo, the company agreed to pay \$2 million towards a fund which educates students seeking education about loan options. Additionally, the company agreed to stop paying associations for exclusive referrals of their consolidated loans.

Joe Bruning, attorney general of Nebraska, forgave a \$1 million settlement that he filed against Nelnet in April 2007. He also declared himself a "defender" of the company. Bruning, a Republican running for the U.S. Senate, has received contributions from Nelnet. Nevertheless, Nelnet has decided to pay the settlement, in addition to the \$2 million settlement it reached earlier.

On the Net:

Attorney General Cuomo Announces Settlement With Nation's 2nd Largest Loan Consolidator
www.oag.state.ny.us/press/2007/jul/jul31a_07.html

Cuomo's Code of Conduct: Troubled Times for the Student Loan Industry
iblsjournal.typepad.com/illinois_business_law_soc/2007/04/cuomos_code_of_.html

Nelnet Will Pay Original Settlement, Too
www.abcmoney.co.uk/news/112007117397.htm

NEWS IN BRIEF

SENATE CONFIRMS DIANE AUER JONES AS ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

Diane Auer Jones has been confirmed by the Senate as assistant secretary for postsecondary education in the U.S. Department of Education. Jones will serve as the principal adviser to Secretary of Education Margaret Spellings on departmental issues pertaining to developing postsecondary education policies and legislative proposals. Prior to the appointment, Jones served the Department of Education as principal deputy assistant secretary for the Office of Postsecondary Education, a post she took over in May 2007. Before joining the Department of Education, she served as deputy to the associate director for science in the Office of Science and Technology Policy in the Executive Office of the President.

THREE MICHIGAN SCHOOLS SAY THEIR LOAN PRACTICES ARE LEGITIMATE

Responding to the letter sent by Secretary of Education Margaret Spellings to more than 900 colleges that have 80% or more of their student loans with a single lender, three Michigan

schools have defended their student loan practices. Michigan State University College of Law, Alma College, and Lawrence Technological University claim that private lenders provide them with better deals than they would receive from federal student loan programs and that there is nothing wrong with the fact that most of their students use the same lender. Nineteen Michigan schools were included on the list of 921 schools that were allegedly dominated by a single loan provider.

FORMER SCRIPPS FINANCIAL AID DIRECTOR JOINS TRINITY UNIVERSITY

Former financial aid director at Scripps College in Claremont, CA, Sean Smith has been appointed as the director of financial aid for Trinity University. Smith will be responsible for overseeing the school's federal, state, and institutional financial aid programs. At Scripps College, Smith was involved in decision making for student enrollment and worked on development and implementation of financial aid plans to increase admissions. He also managed a program that disbursed more than \$15 million in financial aid annually. One of the leading private undergraduate institutions, Trinity College has an enrollment of 2,500 students.