



## Student Loan Reforms: Preventing Conflicts of Interest

Recent investigations have exposed conflicts of interest between student loan companies and universities or their employees, raising questions about the integrity of the advice they give students about loans. College officials have received gifts, trips, stock options and other benefits from lenders, while some colleges have agreed to recommend certain lenders if those lenders share the proceeds. In other cases, lenders provide staffing or call centers for a campus, posing as college representatives while providing financial aid advice—including information about loans—to students.

Students and families should be able to count on their college financial aid office to provide impartial advice regarding loans and lenders. The proliferation of these arrangements has undermined both the real and perceived integrity of the financial aid process.

In response to these revelations, reforms have been proposed at the state, federal and institutional level. This document compares some of the leading proposals, analyzing their provisions relating to four aspects of the issue:

- Lender Conduct
- College Conduct
- Preferred Lender Lists
- Disclosure to Borrowers

A fifth section includes additional notes, including information about the enforcement mechanisms in some of the proposals. The included proposals are:

**New York State Legislature:** “Student Lending, Accountability, Transparency and Enforcement Act,” A. 7950 and S. 5734 (formerly A. 7498 and S. 4524) passed the NY State Legislature on May 7, 2007. The legislation was based on the recommendations of New York State Attorney General Andrew M. Cuomo. The bill was signed into law on May 30, 2007.

**U.S. House Bill Passed 5/9/07:** “The Student Loan Sunshine Act,” H.R. 890. Originally introduced as a companion to Senate legislation on February 1, this is the amended version passed by the U.S. House of Representatives on May 9, 2007 by a vote of 414-3.

**U.S. Senate Leadership proposal:** “The Student Loan Sunshine Act,” S.486. Introduced in the U.S. Senate on February 1, 2007. Based on a bill introduced in the previous Congress.

**U.S. Senate Republican proposal:** “The Student Loan Accountability and Disclosure Reform Act,” S. 1262. Introduced in the U.S. Senate on May 2, 2007.

**U.S. House Republican proposal:** “The Financial Aid Accountability & Transparency Act,” H.R. 1994. Introduced in the U.S. House of Representatives on April 23, 2007.

**U.S. Department of Education Proposed Regulatory Changes:** The Department of Education sent a notice of proposed rulemaking (NPRM) to the Federal Register on May 31, 2007. The proposed changes will be published, requesting public comment, in the Register, date TBD. Changes include the Department’s proposals for addressing conflicts of interest and preferred lender lists.

**New York A.G. Code of Conduct:** As part of settlement agreements, the New York State Attorney General’s office has convinced a number of colleges and lenders to adopt these codes of conduct.

The full text of these proposals can be found online at our web site:

[http://projectonstudentdebt.org/reforms\\_comparison.vp.html](http://projectonstudentdebt.org/reforms_comparison.vp.html)

## LENDER CONDUCT

### Federal/State Legislation

<p><b>Student Lending, Accountability, Transparency and Enforcement Act A. 7950 (S. 5743) (NY State)</b></p>	<p><b>Prohibits lenders</b> from making <b>gifts to colleges and their employees</b>, or posing as college employees/providing <b>staffing</b>. Prohibits lenders and colleges from entering into "quid-pro-quo" <b>agreements on high-risk or "sub-prime" loans</b> (loans to students with poor or no credit histories who would not otherwise be eligible for educational loans). <b>Permits</b> lenders to continue private philanthropic activities unrelated to educational loans.</p>
<p><b>Student Loan Sunshine Act H.R. 890 (Federal)</b></p>	<p><b>Bans lenders from providing any material benefit to colleges in exchange for recommending a loan product.</b> Lenders that have preferred lender agreements with colleges <b>must annually certify</b> to the U.S. Secretary of Education all of the agreements <b>comply</b> with the Higher Education Act's requirements (as set forth in this bill). Compliance will be reported by the lender's auditor. <b>Prohibits</b> lenders from <b>providing a private educational loan</b> to a student at a college with which the lender has an agreement <b>until the student has been informed of Title IV borrowing options</b>. Prohibits lenders from <b>marketing their loans with any university affiliation</b>. Prohibits lenders from <b>offering gifts greater than a nominal amount</b> including: trips, meals, and invitations to entertainment events, or reimbursements for such gifts. <b>Bans staffing assistance</b> for financial aid offices/call-centers: lenders can't provide; schools can't accept. <b>Requires</b> lenders to annually submit a <b>disclosure</b> in a format created by the U.S. Secretary of Education to institutions with which they have agreements and to the Department. Lenders of <b>Direct-to-Consumer (DTC) loans must disclose</b>: that consumer may qualify for federal aid through Title IV; and that federal loans may provide more beneficial terms/conditions--including better interest rates. DTC lenders must also <b>ensure that information on DTC loans is distinct from information about Title IV loans</b>. Requires DTC lenders (offering a loan greater than \$1,000) to <b>notify a borrower's college of the proposed loan amount</b> before the loan is offered. (For additional disclosure requirements related to borrower terms, see <i>Disclosure of Loan Terms and Conditions</i> section.)</p>
<p><b>Student Loan Sunshine Act S. 486 (Federal)</b></p>	<p>Lenders that have educational loan agreements with colleges <b>must submit an annual report</b> to the U.S. Secretary of Education including: date/duration, marketing terms, terms of servicing/purchasing, and benefits provided to any party in connection with the agreement. <b>Prohibits</b> lenders from <b>providing a private educational loan</b> to a student at a college with which the lender has an agreement <b>until the student has been informed of Title IV borrowing options</b>. Lenders are prohibited from <b>marketing their loans with any university affiliation</b>. Lenders are prohibited from <b>offering gifts greater than \$10</b> including: trips, meals, and invitations to entertainment events. Lenders of <b>Direct-to-Consumer (DTC) loans must disclose</b>: that consumer may qualify for federal aid through Title IV; and that federal loans may provide more beneficial terms/conditions--including better interest rates, repayment options, and loan forgiveness. DTC lenders must also <b>ensure that information on DTC loans is distinct from information about Title IV loans</b>. Requires DTC lenders (offering a loan greater than \$1,000) to <b>notify a borrower's college of the proposed loan amount</b> before the loan is offered. (For additional lender disclosure requirements related to borrower terms, see <i>Disclosure of Loan Terms and Conditions</i> section.)</p>

<p><b>Student Loan Accountability and Disclosure Reform Act S. 1262 (Federal)</b></p>	<p><b>Disqualifies a lender as an "eligible lender" for:</b> offering -- directly or indirectly -- any points, premiums, payments (including payments for referrals, processing, or finder fees), prizes, stocks/securities, travel, entertainment expenses, tuition repayment, IT equipment at below-market value, additional financial aid funds, or other inducements to any institution or employee of an institution to secure loans; conducting unsolicited mailings, by postal or electronic means, of student loan application forms to enrolled students or their parents, <b>except to borrowers who have previously received loans from such lender</b>; entering into a consulting arrangement with an employee in the financial aid office or who otherwise has responsibilities with respect to student loans, to provide services to a lender; compensating an employee who is employed in the financial aid office or who otherwise has responsibility with respect to student loans for sitting on an advisory board, commission, or group established by the lender, <b>except for reimbursement of reasonable expenses incurred in providing the service</b>; providing any function the institution is responsible for under the federal loan program without compensation, <b>except for general debt counseling</b> (i.e., exit counseling); paying for staff to cover the institution's responsibilities under the federal loan programs; and paying/otherwise compensating a student to act as a lender representative to secure applications under this title (IV) from individual prospective borrowers, <b>unless the student is employed by the lender also for other purposes</b> and made the appropriate disclosures regarding such employment. <b>Lenders providing any service to an institution</b> are required to disclose the individual's relationship with the lender to students and parents whom they service. Agreements for providing the service must follow applicable state and institutional ethics laws. Before issuing a loan, lenders must provide the following disclosures to students (in writing) on federal or private loans: that the borrower may qualify for Title IV assistance--in lieu of or in addition to non-Federal loans; interest rates available on federal loans; and sample educational loan costs disaggregated by type. (For additional lender disclosure requirements related to borrower terms, see <i>Disclosure of Loan Terms and Conditions</i> section.)</p>
<p><b>Financial Aid Accountability &amp; Transparency Act H.R. 1994 (Federal)</b></p>	<p><b>Bans educational loan agreements between lenders and colleges.</b> Prohibits lenders from paying a fee or providing any material benefit to a college in exchange for recommending them to prospective borrowers. <b>Bans staffing assistance</b> for financial aid offices/call-centers: lenders can't provide; schools can't accept. (See <i>Notes</i> section for exclusions.) Requires <b>private educational loan lenders</b> (pursuant to the Truth In Lending Act) to provide <b>disclosures</b> on loans <b>before executing any contract or agreement</b> between the creditor and the consumer. <b>Disclosures include:</b> that consumers may qualify for federal aid for education through Title IV; that federal loans may provide more beneficial terms and conditions--including lower APR, fewer and lower fees--than private loans; and that consumers can obtain information on federal assistance on the U.S. Department of Education website. Disclosures must <b>clearly and conspicuously be placed on or with any written application</b>, solicitation, or other document or paper relating to any extension of credit involving a private educational loan for which the disclosure is required. Also requires written acknowledgement of receipt of disclosure for written application. (For additional lender disclosure requirements, see <i>Disclosure of Loan Terms and Conditions</i> section.)</p>

<u>Regulations</u>	
<b>U.S. Department of Education Proposed Regulations</b>	<p><b>Prohibits eligible Federal Family Education Loan (FFEL) lenders from directly or indirectly offering</b> points, premiums, payments or other inducements to any school (or other party) to secure applications for FFEL loans or loan volume.</p> <p><b>Prohibits payments or benefits:</b> of prizes, additional aid funds; to a prospective borrower, school, or school-affiliated organizations in exchange for FFEL loan applications; to a student who acts as the lender's representative to secure individual FFEL loan applications; to a sales rep who visits schools to solicit individual prospective borrowers; of referral or processing fees to another lender; of conference or training registration, transportation and lodging; of entertainment expenses for employees and school-affiliated organizations; of funds for philanthropic activities including scholarships or grants; and of staffing services on more than a short-term/emergency basis. <b>FFEL lenders may provide:</b> assistance to schools comparable to that provided by the Secretary under the Direct Loan (DL) program; support for and participation in student aid and financial literacy activities hosted by schools or guarantee agencies with appropriate disclosures; meals, refreshments and receptions scheduled in conjunction with meetings or conferences if open to all attendees; toll-free numbers for schools or others to use to get information about FFEL loans; free data transmission services for loan processing; reduced origination fees, reduced interest rates, payment of default fees and other borrower benefits related to making one or more scheduled payments to retain the benefit; and items of nominal value.</p>
<u>Voluntary Codes of Conduct</u>	
<b>Student Loan Code of Conduct (NY Attorney General)</b>	<p><b>Bans financial ties between lenders and institutions</b>--including revenue sharing, paying for preferred lender status, gifts or trips for college officials or employees, staffing assistance, and compensation for advisory board activity.</p>
<b>College Loan Code of Conduct (NY Attorney General)</b>	<p><b>Prohibits</b> lenders from <b>bargaining</b> with colleges to be a preferred lender <b>for one type of loan by providing benefits related to another type of loan</b> (e.g., negotiating exclusivity as a preferred lender for federal loans by offering a "good" rate on private loans).</p>

## COLLEGE CONDUCT

### Federal/State Legislation

<p><b>Student Lending, Accountability, Transparency and Enforcement Act A. 7950 (S. 5734) (NY State)</b></p>	<p><b>Bans</b> colleges from receiving any <b>revenue sharing</b>, and bans <b>gifts, trips and advisory board compensation</b> for college officials or employees. <b>Prohibits</b> colleges from linking or <b>directing potential borrowers to any electronic master promissory notes</b> or other loan agreements <b>that do not provide a reasonable and convenient alternative</b> for the borrower to select any <b>federally approved lender offering the loan in NY state.</b></p>
<p><b>Student Loan Sunshine Act H.R. 890 (Federal)</b></p>	<p><b>Requires</b> colleges: to <b>inform students of their right to select any lender</b>, including non-preferred lenders; to process documents needed to obtain a loan from any eligible lender the student selects; and to disclose all of the information on the U.S. Secretary of Education’s model disclosure form, the maximum amount of Federal grant and loan aid available, and the college’s cost of attendance. <b>Requires colleges to submit an annual report to the Secretary for each lender</b> it has an agreement with, including the information on the model disclosure form. This report must include each loan type provided by the lender, and a detailed explanation of why the college feels the terms and conditions are beneficial for students. Colleges must also publicly disclose this information to students or parents before they apply for or select a loan. <b>Before or at the same time as they provide information regarding a DTC loan, colleges are required</b> to: inform the student or parent of: their <b>Title IV eligibility</b>; disclose that the <b>terms of private loans that are less favorable</b> than those of federal loans including interest rates, repayment options, and loan forgiveness; and <b>maintain a distinction between information about private and federal student loans.</b> <b>Requires all institutions participating in the federal student loan program, or with students who obtain private educational loans,</b> to develop, administer, enforce, and publish on their website a <b>code of conduct</b> that prohibits a conflict of interest with the responsibilities of a college or its employees with respect to student loans. Also requires colleges to annually provide training on the code. <b>Bans gifts from lenders above a nominal amount</b>; prohibits employees/officers affiliated with campus student loans/financial aid from accepting any financial benefit from <b>servicing on an advisory board</b> or as <b>compensation for consulting agreements.</b> <b>Bans participation on advisory councils</b> for campus officers, agents or employees working with student loans. (For additional provisions related to preferred lender lists, see <i>Preferred Lender List</i> section.)</p>
<p><b>Student Loan Sunshine Act S. 486 (Federal)</b></p>	<p><b>Requires</b> colleges to <b>inform students of their right to select any lender</b>, including non-preferred lenders. <b>Requires colleges to submit an annual report to the U.S. Secretary of Education for each lender</b> it has an agreement with. This report must include each loan type provided by the lender, and a detailed explanation of why the college feels the terms and conditions are beneficial for students. Colleges must also publicly disclose this information to students or parents before they apply for or select an educational loan. <b>With respect to DTC loans, prior to or concurrent with providing information regarding the loan, institutions are required to inform</b> the student or parent of: their <b>Title IV eligibility</b>; the <b>terms of private loans that are less favorable</b> than those of federal loans including interest rates, repayment options, and loan forgiveness; and <b>maintain a distinction between information about private and federal student loans.</b> For additional institutional requirements related to college preferred lender lists, see the <i>Preferred Lender List</i> section.</p>

<p><b>Student Loan Accountability and Disclosure Reform Act S. 1262 (Federal)</b></p>	<p><b>Requires</b> colleges to establish, follow and enforce a <b>code of conduct</b> which (at minimum): <b>prohibits revenue sharing, gifts and trips</b> worth more than a nominal value to any financial aid employee or employee having responsibilities related to student loans at the institution, <b>except for reasonable expenses for professional development</b> designed to improve the efficiency and effectiveness of the Title IV programs; <b>bans financial aid employees</b> or employees dealing with student loans <b>from providing contracting/consulting services to a lender</b>; and <b>prohibits advisory board compensation for financial aid and related employees</b> at the institution, <b>except for reimbursement for reasonable expenses</b> incurred in providing this service. <b>Prohibits institutions from refusing to certify or delay certification of any loan based on a borrower's selection of a lender.</b> Requires institutions to designate their CEO/CFO/COO/Other applicable officer to sign an annual attestation of the institution's compliance with its code of conduct. Requires institutions to make their code widely available to faculty members, students, and parents (including through its website). <b>Allows institutions to invite lenders to submit a</b> standard electronic template that specifies: rates, services, discounts, terms and conditions of the loans, and lender contact information. <b>Requires the institution to accept the standard electronic template from lenders who request to submit</b> the template to the institution. <b>Requires the institution to make all submitted standard electronic templates available to current and prospective students and their parents.</b> <b>If students or parents request information on submitting lenders, the institution will provide a guide which enables students and parents to do their own evaluation of loan products</b> and includes the following disclosures: the criteria and process used to develop the guide, that lenders listed in the guide that have agreements in place to sell the loans of the lender to another lender, and the students' right to choose any lender-- including those not in the guide. (For additional provisions related to preferred lender lists, see <i>Preferred Lender List</i> section.)</p>
<p><b>Financial Aid Accountability &amp; Transparency Act H.R. 1994 (Federal)</b></p>	<p><b>Requires all institutions participating in the federal student loan program, or with students who obtain private educational loans,</b> to develop, administer, enforce, and publish on their website a <b>code of conduct</b> which: <b>bans gifts</b> from lenders; prohibits employees/officers affiliated with campus student loans/financial aid from accepting any financial benefit from serving on a advisory board; and requires colleges to annually provide training on the code. (For <b>exclusions</b>, see <i>Notes</i> section.) <b>Requires colleges</b> recommending lenders for federal and/or private loans to disclose (through their website and informational materials): the right of a borrower to select any lender including non-preferred lenders; that schools are required to process documents needed to obtain a loan from any eligible lender the student selects; information from the model disclosure forms; the maximum amount of federal grant/loan aid available; and the cost of attendance. <b>Requires Direct Loan schools</b> to disclose (through their website and informational materials): information from the disclosure forms; the maximum amount of federal grant/loan aid available; the cost of attendance; and the policies, procedures and criteria for participation in the Direct Loan program. (For additional provisions related to preferred lender lists, see <i>Preferred Lender List</i> section.)</p>
<p><b><u>Regulations</u></b></p>	
<p><b>U.S. Department of Education Proposed Regulations</b></p>	<p>(For additional provisions related to preferred lender lists, see <i>Preferred Lender List</i> section.)</p>

Voluntary Codes of Conduct

<b>Student Loan Code of Conduct (NY Attorney General)</b>	
<b>College Loan Code of Conduct (NY Attorney General)</b>	<b>Bans colleges from revenue sharing</b> , accepting payments for preferred lender status, or receiving anything of value in exchange for preferential treatment of a lender. <b>Bans college employees and officials from receiving gifts</b> , trips, or advisory board compensation from lenders. Requires institutions to disclose a <b>borrower's right to select any lender</b> regardless of the preferred lender list.

**PREFERRED LENDER LISTS**

**Federal/State Legislation**

<p><b>Student Lending, Accountability, Transparency and Enforcement Act A. 7950 (S. 5734) (NY State)</b></p>	<p><b>Requires colleges</b> using preferred lender lists to <b>disclose the criteria and process</b> for selecting lenders. Requires colleges to <b>disclose the borrower's right to select any lender</b>, including those not on the preferred lender list, and guarantees no penalty for borrowers who assert this right. Requires institutions to <b>designate preferred lenders solely on</b> the basis of what is in the <b>borrowers' best interest. Prohibits colleges from including a lender</b> on their preferred lender list if <b>the lender has an agreement to sell loans to another lender without disclosure.</b> Prohibits colleges from <b>placing</b> lenders on a preferred lender list <b>for a particular type of loan in exchange for benefits</b> (to the college and/or to borrowers) <b>on a different type of loan. Requires lenders</b> on the preferred lender list to <b>provide assurance</b> to the college and the borrower <b>that advertised benefits will not change with sale of the loan.</b></p>
<p><b>Student Loan Sunshine Act H.R. 890 (Federal)</b></p>	<p><b>Requires</b> colleges to include <b>at least 3 non-affiliated lenders</b> on their preferred lender list. If a lender on the list is an affiliate of another lender, the preferred lender list must describe the affiliation. Requires colleges to <b>clearly and fully disclose the criteria and process</b> used to select preferred lenders. <b>Requires</b> colleges to <b>inform students of their right to select any lender</b>, including non-preferred lenders. Requires <b>annual reports</b> of preferred lender arrangements.</p>
<p><b>Student Loan Sunshine Act S. 486 (Federal)</b></p>	<p><b>Requires</b> colleges to include <b>at least 3 non-affiliated lenders</b> on their preferred lender list. Requires colleges to <b>clearly and fully disclose the criteria and process</b> used to select preferred lenders. <b>Requires</b> colleges to <b>inform students of their right to select any lender</b>, including non-preferred lenders.</p>
<p><b>Student Loan Accountability and Disclosure Reform Act S. 1262 (Federal)</b></p>	<p><b>Prohibits colleges from designating a preferred lender for federal or private loans.</b> (For rules regulating information institutions give to students and parents regarding student loan options in lieu of preferred lender lists, see the <i>College Conduct</i> section.)</p>
<p><b>Financial Aid Accountability &amp; Transparency Act H.R. 1994 (Federal)</b></p>	<p><b>Requires colleges</b> using preferred lender lists for federal and/or private loans to <b>disclose the criteria and process</b> for selecting lenders. Requires that the above information be accessible on the college's website. Requires a <b>minimum of 3 non-affiliated eligible lenders for both federal loans and private</b> educational loans. <b>Prohibits lenders from paying a fee or providing any material benefit</b> to a college in exchange <b>for recommending them</b> to prospective borrowers.</p>

**Regulations**

<p><b>U.S. Department of Education Proposed Regulations</b></p>	<p><b>Preferred lender lists cannot: impede</b> borrowers' <b>choice</b> of lenders; <b>have less than 3 non-affiliated eligible lenders</b>; or <b>include lenders that offer financial benefits in exchange for inclusion.</b> <b>Colleges must: disclose the criteria and process</b> used to select lenders; <b>ensure that any benefits offered are the same</b> for all borrowers at the school; <b>disclose</b> a borrower's <b>right to select a non-preferred lender</b>; <b>not assign first-time borrowers a lender</b> (through packaging or otherwise); and <b>not cause any unnecessary processing delays</b> for non-preferred lenders. (For additional disclosure requirements, see <i>Disclosure of Loan Terms and Conditions</i> section.)</p>
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Voluntary Codes of Conduct

<b>Student Loan Code of Conduct (NY Attorney General)</b>	<b>Bans lenders from paying for preferred lender status.</b>
<b>College Loan Code of Conduct (NY Attorney General)</b>	<b>Bans colleges from accepting payments for preferred lender status. Requires colleges using preferred lender lists to disclose the criteria and process for selecting lenders. Prohibits colleges from adding a lender to a preferred lender list if the lender has an agreement to sell their loans to another lender without disclosing the sale. Prohibits lenders from bargaining with colleges to be a preferred lender for one type of loan by providing benefits related to another type of loan.</b>

DISCLOSURE OF LOAN TERMS AND CONDITIONS	
<u>Federal/State Legislation</u>	
<b>Student Lending, Accountability, Transparency and Enforcement Act A. 7950 (S. 5734) (NY State)</b>	Requires lenders to <b>disclose the range of interest rates charged to</b> students at the institution, <b>historic default rate</b> of the lender at the school, and <b>any agreements a lender has to sell loans</b> to another lender.
<b>Student Loan Sunshine Act H.R. 890 (Federal)</b>	<b>Requires the U.S. Secretary of Education</b> to submit a report and develop and prescribe a <b>model disclosure format</b> , with relevant information about the terms and conditions <b>for both federal and private educational loans</b> , to be <b>used by both colleges and lenders participating in preferred lender agreements</b> . The information on the <b>form must include</b> : the interest rate of the loan, any fees associated with the loan, the repayment terms available on the loan, the opportunity for deferment or forbearance (including in-school deferment), any additional terms and conditions that are contingent on the borrower's repayment behavior, the APR for the loans based on actual disbursement amounts, the average amount students borrowed from the lender in the previous academic year, the average interest rate on those loans (previous year), the contact info for the lender, and any philanthropic contribution made by the lender to the covered institution. <b>In addition, private loans made by each lender recommended by the covered institution must include</b> : the method of determining the interest rate of the loan, whether and under which conditions early repayment is available without penalty, late payment penalties, and other information requested by the Secretary.
<b>Student Loan Sunshine Act S. 486 (Federal)</b>	<b>Requires the U.S. Secretary of Education</b> to submit a report and develop and prescribe a <b>model disclosure format</b> , with relevant information about the terms and conditions for both federal and private educational loans, to be used by both colleges and lenders participating in educational loan agreements. <b>The format must include</b> : the interest rates, terms and conditions of loans provided to students at the school, disaggregated by each type of educational loan; the interest rates, terms and conditions of loans offered by the lender for the upcoming year; the APR for the loans based on actual disbursement amounts; the average amount students borrowed from the lender in the previous academic year; and the average interest rate on those loans (previous year). <b>Disclosures should be easily usable</b> by lenders, institutions, guarantee agencies and loan servicers. <b>Requires Direct-to-Consumer (DTC) lenders to disclose the following loan terms</b> : how the interest rate is determined, sample loan costs disaggregated by type, information on all fees, information on collection in case of default, and information on resources to file a complaint against a lender.
<b>Student Loan Accountability and Disclosure Reform Act S. 1262 (Federal)</b>	<b>Lenders are required to issue disclosures for each loan being provided including</b> : how the interest rate is determined (including whether rate is based on borrower's credit score); available repayment plans; whether and the terms under which early repayment can be made without penalty; the frequency of recapitalization; all fees, deferments, and forbearance; all available repayment benefits and the percentage of borrowers that qualify for such benefits; collection practices in case of default; late payment penalties and fees; whether amount of all loans issued by the lender to the borrower exceeds the student's cost of attendance; and any other information required by the U.S. Secretary of Education.

<b>Financial Aid Accountability &amp; Transparency Act H.R. 1994 (Federal)</b>	Requires U.S. <b>Secretary of Education</b> to develop and prescribe a <b>model disclosure form</b> with relevant information about <b>terms and conditions for both federal and private educational loans</b> , to be used by both colleges and lenders. <b>Minimum information to include on federal loans:</b> the interest rate, fees, repayment terms available, opportunity for deferment or forbearance (including in-school deferment), and contact info of the lender. <b>Minimum information to include on private loans:</b> method for determining interest rate, types of repayment plans, whether and under which conditions early repayment is available without penalty, other borrower benefits such as in-school deferments, and late payment penalties.
<u><b>Regulations</b></u>	
<b>U.S. Department of Education Proposed Regulations</b>	Schools must <b>provide comparative information</b> to prospective borrowers <b>about interest rates and other benefits</b> offered by the lenders on their preferred lender list;
<u><b>Voluntary Codes of Conduct</b></u>	
<b>Student Loan Code of Conduct (NY Attorney General)</b>	<b>Requires lenders to disclose</b> the <b>range of interest rates charged</b> to students at the institution, <b>historic default rate</b> of the lender at the school, and any <b>agreements</b> a lender has <b>to sell loans</b> to another lender.
<b>College Loan Code of Conduct (NY Attorney General)</b>	

NOTES	
<u>Federal/State Legislation</u>	
<b>Student Lending, Accountability, Transparency and Enforcement Act A. 7950 (S. 5734) (NY State)</b>	<b>Enforcement:</b> Any institution or lender found in violation of any of the provisions, after notice and an opportunity for a hearing, could be held liable for a civil penalty of up to \$50,000 by the New York State Education Department (based on the severity of the violation). Any employee found in violation of any of these provisions, after notice and an opportunity for a hearing, could be held liable for a civil penalty of up to \$7,500 (based on the severity of the violation).
<b>Student Loan Sunshine Act H.R. 890 (Federal)</b>	<b>Enforcement:</b> A covered institution or lender shall comply with the provisions as a condition of receiving Federal funds or assistance. For violating lenders or covered institutions that do not participate in a loan program under Title IV, the Secretary of Education may impose a civil penalty of up to \$25,000. For violating lenders participating in a Title IV program, the Secretary may limit, terminate, or suspend the lender's participation in such programs. Directs the Secretary to <b>promote</b> the Department of Education's Federal Student Financial Aid website. Also directs the Secretary to promote the availability of information for the financial aid programs of other departments and agencies.
<b>Student Loan Sunshine Act S. 486 (Federal)</b>	<b>Enforcement:</b> A covered institution or lender shall comply with the provisions as a condition of receiving Federal funds or assistance. For violating lenders or covered institutions that do not participate in a loan program under Title IV, the Secretary of Education may impose a civil penalty of up to \$25,000. For violating lenders participating in a Title IV program, the Secretary may limit, terminate, or suspend the lender's participation in such programs.
<b>Student Loan Accountability and Disclosure Reform Act S. 1262 (Federal)</b>	Restrictions on inducements, payments, mailings, and advertising by guarantee agencies. <b>Requires the Secretaries of Education and Treasury to conduct a study examining the private educational loan market</b> to determine the need for protections from predatory lending practices for students who qualify for the simplified needs test or an income-contingent simplified version of the FAFSA. <b>Eliminates school-as-lender program. Permits institutions to certify private loans above the federal loan limits, except for low-income students.</b> <b>Enforcement: Penalty for lenders in violation is disqualification as an eligible Title IV lender. Penalty for institution is the limitation, suspension, or termination of the eligibility of the institution for Title IV loan programs.</b>
<b>Financial Aid Accountability &amp; Transparency Act H.R. 1994 (Federal)</b>	<b>Exclusions (lender conduct):</b> professional development training for financial aid administrators, providing educational counseling materials, financial literacy materials, debt management materials. All materials must have disclosure of lender who assisted in its preparation. <b>Exclusions (institution conduct):</b> informational materials (e.g. brochures), reimbursement for travel to meeting in connection with serving on an advisory council (limited to 2 days/1 night), training contributing to the professional development of college employee/officer/agent, and borrower benefits to on educational loans provided to a student. No explicit <b>enforcement</b> section in the bill.
<u>Regulations</u>	
<b>U.S. Department of Education Proposed Regulations</b>	Addresses certification requirements for schools in connection with loan applications. Similar set of inducement prohibitions for guarantee agencies. <b>Enforcement:</b> Secretary may disqualify an eligible lender from participating in the FFEL program for violation of the prohibited inducement regulations. If the Department's deciding official finds a lender or guaranty agency provided a prohibited inducement, the <b>burden of proof falls on the lender</b> to show that the activity or payment was not related to securing loan applications or volume. A <b>guaranty agency cannot use federal funds to repay a lender, or request reimbursement from the Department</b> on a loan offered or provided by a lender using improper inducements. <b>Clarifies and expands a borrower's legal rights and protections provided by the FTC's holder rule</b> , for FFEL loans made by lenders under an improper inducement situation.