

Spellings Urges Colleges and Lenders to Comply with New Loan Rules

By 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