



NEW YORK STATE SENATOR

Liz Krueger

Krueger Announces That Student Loan Protection Act Passes Senate

LIZ KRUEGER April 24, 2007

Albany—New York State Senator Liz Krueger is pleased to announce that today the Senate passed the Student Lending Accountability, Transparency and Enforcement Act (S4524). The legislation, which Krueger co-sponsors, is aimed to protect students and parents from being steered by lenders and colleges towards student loan programs where a conflict of interest exists.

"The ongoing results of Attorney General Andrew Cuomo's investigation into corrupt practices in the business of students loans have proven to be very enlightening, and have shed light on huge loopholes in the system," Krueger said. "This bill closes those loopholes. Paying for college has become very stressful for many families who need to borrow to pay part, or in some cases, all of the costs. It is disturbing that some colleges and their agents manipulate the system to financially exploit students and parents who are just trying to make the right choices for their futures."

The provisions of the Act prohibits colleges and universities, and their employees from:

Soliciting, accepting or receiving gifts from lenders, in exchange for any advantage or consideration provided such lenders related to their educational loan activities;

Engaging in the practice of revenue sharing;

Receiving remuneration for serving as members or participants of lenders' advisory boards, or receiving any reimbursement of expenses for so serving;

Staffing the financial aid offices of colleges and universities with employees from lending institutions;

Entering into certain quid pro quo high risk loans that prejudice other borrowers or potential borrowers.

The Act also requires colleges and universities to:

Disclose to borrowers and prospective borrowers all available financing options under federal law;

And in instances where the institutions use a "preferred lender" list they must disclose criteria, and let students know they have the right and ability to select any lender of their choosing upon request of a college or university.

The Act requires lenders to:

Disclose the default rates, rates of interest charged to borrowers, and number of borrowers receiving those rates from such college or university.

"Students and their families are already being saddled with debt—unscrupulous institutions shouldn't be yet another worry on top of the financial burdens they already face. The costs of college tuition, books and fees continue to rise as federal and state financing for higher education has decreased. Institutions of higher education and lenders know this, and have capitalized on the financial difficulties of these students and their families. This bill ensures one less worry during a very big transitional period in their lives," Krueger concluded.