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SENATOR EDWARD M. KENNEDY RELEASES REPORT ON STUDENT LOAN SYSTEM

WASHINGTON, D.C.--Today, Senator Edward M. Kennedy, Chairman of the United States Senate Health, Education, Labor and Pensions (HELP) Committee, released a report on the student loan system entitled "Report on Marketing Practices in the Federal Family Education Loan Program." The report discusses the findings of Chairman Kennedy's investigation of inappropriate marketing practices in the student loan industry.

Chairman Kennedy said, "This investigative report demonstrates that inappropriate marketing practices, conflicts of interest, and back-room deals are found all too frequently in the student loan industry. The findings underscore the urgent need for systemic reform in the student loan system. Focus and attention must be paid to America's students who need accurate, unbiased information when making one of the most important decisions of their lives."

Key findings of the report include:

- Some FFEL lenders provided compensation to schools with the expectation, and in some cases an explicit agreement, that the school will give the lenders preferential treatment, including placement on the school's preferred lender list.
- Other FFEL lenders spent large sums on travel and accommodation expenses for meetings of Advisory Boards comprised of school officials, and often expected these benefits to yield increased loan volume, or other preferential treatment, at Board members' schools.
- School officials held financial interests, including stock and options to purchase stock, in FFEL lenders which are on the preferred lender list or are otherwise recommended to students.
- School officials received payments for consulting and other services from FFEL lenders which are on the preferred lender list or are otherwise recommended to students.

The report is part of Chairman Kennedy's ongoing investigation into the student loan system. Next week, the HELP Committee will consider legislative solutions to problems within the student loan system.

The report and supporting documentation is available at www.kennedy.senate.gov.

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