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CHAIRMAN KENNEDY RELEASES SECOND REPORT ON LENDER ETHICS

Report details abuses within lending 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 "Second 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, "The findings of the report underscore the urgent need for reform of the student loan system. How to pay for college is one of the most important decisions that families can make. We owe it to them to make sure they're getting the best deal possible for their hard-earned education dollars."

The report is posted on Senator Kennedy's website at www.kennedy.senate.gov

Key findings are included below.

- Some lenders provided donations, services, private loan funds, and other benefits to colleges in exchange for preferential treatment with regard to student loans, including placement on the college's preferred lender list;
- Some lenders made improper payments to schools, based on loan volume, and gained preferential treatment for FFEL loans in exchange for such payments;
- Two lenders entered into an improper agreement with a guaranty agency under which (1) the lenders paid the guaranty agency a marketing fee which violated the inducements prohibition and (2) the guaranty agency provided free personnel to schools in exchange for FFEL market share;
- Some lenders, schools and alumni associations entered into agreements that improperly constrained financial aid officers from providing unbiased and neutral financial advice to students.

The United States Senate higher education bill would prohibit all of these practices.

