



FOR IMMEDIATE RELEASE

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Loan Associations Endorse Inducement Guidelines

The Consumer Bankers Association (CBA), Education Finance Council (EFC) and National Council of Higher Education Loan Programs (NCHELP) announced their endorsement of a set of guidelines (attached) concerning compliance with certain inducement prohibitions contained in the Higher Education Act (HEA). These guidelines contain principles that can guide participants in the Federal Family Education Loan Program (FFELP) as they work with institutions of higher education to help students and parents finance postsecondary education.

The HEA provisions prohibit the offering of payments or other inducements to secure FFELP loan applications. The guidelines endorsed today were developed jointly by members of the FFELP lender and school communities. Nearly all of the financial institutions that participate in the FFELP are represented in the membership of CBA, EFC and NCHELP. Each association will encourage its members to abide by the letter and spirit of the guidelines. Other individual organizations and institutions are also encouraged to endorse and follow the guidelines. Questions regarding the inducement guidelines may be directed to the contact representatives listed above.

The U.S. Department of Education (Department) has enforcement authority over the statutory provisions involved. These guidelines are not intended to supplant that authority. Recognizing this, the Department has encouraged and supported the development of the guidelines. CBA, EFC and NCHELP believe that the guidelines provide a set of best practices that will help organizations comply with the Higher Education Act and related regulations promulgated by the Department.

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*The **Consumer Bankers Association** is the recognized voice on retail banking issues in the nation's capital. Member institutions are the leaders in consumer financial services, including auto finance, home equity lending, card products, education loans, small business services, community development, investments, deposits and delivery. CBA was founded in 1919 and provides leadership, education, research and federal representation on retail banking issues such as privacy, fair lending, and consumer protection legislation/regulation. CBA members include most of the nation's largest bank holding companies as well as regional and super community banks that collectively hold two-thirds of the industry's total assets.*

***EFC**'s mission is to promote and expand access to higher education by ensuring the availability of student loan funds while striving to make paying for college easier and less expensive for all students and families. EFC represents non-profit student loan secondary markets that participate in the Federal Family Education Loan Program (FFEL) as well as affiliated entities including guaranty agencies, lenders, rating agencies, insurers and investment bankers*

***NCHHELP** represents a nationwide network of guaranty agencies, secondary markets, lenders, loan servicers, collection agencies, schools and other organizations involved in the administration of the Federal Family Education Loan Program (FFELP). NCHHELP members promote student access and choice for post-secondary education and training.*

*Over the past 38 years, the **FFELP** has provided more than \$400 billion in loans to more than 75 million students and their families.*

Guidelines for FFELP Industry Practices

The following guidelines were developed to provide guidance to postsecondary institutions and loan industry participants for compliance with the statutory provisions of the Higher Education Act. These guidelines were developed by institutional and lending representatives and are intended to supplement the Department of Education's existing guidance.

1. FFEL borrowers have the right to choose the eligible lender of their choice and institutions cannot intentionally delay or refuse to process the loan application based on the borrower's choice.
2. Lenders, guarantors, servicers, secondary markets, and their related organizations are encouraged to work with institutions, students, and others to help promote increased awareness of financial aid opportunities and generally to promote access to postsecondary education.
3. Lenders, guarantors, servicers, secondary markets, and their related organizations are encouraged to engage in philanthropic activities including providing scholarships or financial contributions; however, they should not be conditioned on the existence of, or the expectation of, an FFEL business relationship between the industry participant and the institution, nor should institutions or their related organizations request or accept philanthropic contributions based on such a relationship.
4. Lenders, guarantors, servicers, secondary markets, and their related organizations should not offer, directly or indirectly, nor should institutions or their related organizations request or accept private loan products in exchange for a specified dollar amount of FFEL loan or guarantee volume, a percentage of FFEL loan or guarantee volume, or FFEL exclusivity. Notwithstanding the above, institutions may choose a single preferred FFEL lender or a single preferred FFEL service provider.
5. Institutions and their related organizations should not request or accept referral or marketing fees for FFELP loan applications. Institutions and their related organizations are encouraged to coordinate all matters related to student loans through the designated campus financial aid office.
6. Lenders, guarantors, servicers, secondary markets, and their related organizations should not offer referral or marketing fees for FFEL loan volume to educational institutions or other entities; however, they are permitted to offer reasonable referral and processing fees to other lenders and other non-institutionally-related entities for FFEL loan applications.
7. Lenders, guarantors, servicers, secondary markets, and their related organizations are encouraged to work with schools to implement new technologies and to offer training sessions and financial instructional materials that assist students and staff members; however, except as part of a philanthropic effort, lenders, guarantors, servicers, secondary markets, and their related organizations should not offer, nor should institutions or their related organizations request or accept equipment, commercially available software or funds to procure such.
8. Subject to applicable state law, lenders, guarantors, servicers, secondary markets, or their related organizations may provide reasonable financial reimbursement to institutional personnel for travel, lodging, meals, and miscellaneous expenses, associated with their participation in school advisory group meetings held by the sponsor.
9. Lenders, guarantors, servicers, secondary markets, and their related organizations are encouraged to sponsor approved activities open to all eligible attendees during regularly-scheduled conference periods. Every effort should be made to conduct private functions during times that do not conflict with any portion of the scheduled conference program.
10. Institutional personnel should not request or accept, nor should lenders, guarantors, servicers, secondary markets, or their related organizations offer gifts, meals, or tickets to entertainment events if the value of such is greater than what would be offered in a normal business setting. Further, institutional personnel should be aware of state ethics laws to ensure they are in compliance.