

## Student Loan Reform Bill Passes Senate

Spurred on by state Attorney General Andrew Cuomo's exposé of irregularities in the student loan program, a bill introduced by state Senator Toby Stavisky which prohibits unscrupulous student lending practices has been passed by the senate.

The bill was filed by the Flushing lawmaker at Cuomo's request after the attorney general's office uncovered several cases where financial ties between colleges and student loan companies, had led to conflicts of interest.

Stavisky, the ranking Democrat on the senate Higher Education Committee, noted that student loans are an \$85 million-a-year business, with students ultimately bearing the

financial impact of gifts, revenue sharing agreements between college officials and banks and other forms of compensation for colleges from lenders, among the irregularities revealed by Cuomo's growing probe.

Stavisky declared: "We can only speculate how much of the growing cost of education is caused by unethical financial relationships between lending companies and colleges and universities. While market conditions affect price, there is also a strong undercurrent of insider dealing that ultimately drives up costs, with students caught helplessly in the middle.

"Today we have taken an important step in making higher education work for students, not the business community."

Stavisky's bill prohibits lenders and educational institutions from giving or receiving gifts in return for favoritism. The bill also outlaws revenue sharing agreements between lenders and educational institutions and prohibits university employees from receiving compensation when serving on loan company advisory boards, Stavisky said.

The act also holds colleges to a higher standard of transparency when distributing "preferred lenders" lists. Lenders favored by these lists often secure up to 90 percent of all loans taken out by students at schools that maintain such lists, the lawmaker said.

Violations of the proposed law could be punished by a civil penalty of up to \$50,000

for each instance. Also, a fine of \$7,500 would be levied for employees who violate the law. Funds would be set aside to reimburse students when deals between lenders and colleges are discovered.

To date, 21 colleges and universities throughout the country and in the New York area have agreed to a code of conduct created by Cuomo which bars improper relationships between the schools and lending companies. Many schools have also agreed to reimburse students.

Several schools in the metropolitan area have also been caught in Cuomo's net and have also reimbursed students.

—John Toscano

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