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Endless Rise in College Tuition May Be Instig College-Lender Relationship

February 9th, 2007

A recent government inquiry into the "relationships" forged between colle offices and student loan lenders has raised the question, "Is there a corre soaring college tuitions and fat-cat lenders?"

The recent New York Times article ("Greater Scrutiny on Colleges and Ties Glazer) draws attention to the initial inquest, which originated with the Ne General's Office. As we speak, the Attorney General is sniffing out a slew to see exactly what stinks.

See, colleges and universities prefer to work exclusively with a particular that's no secret. And the qualifying criteria for such a relationship? That's number of lawmakers want to know.

Back Office Handshakes or Just Good Business?

It's a matter of course that "lenders use various tactics to curry favor with universities." But until now the practice has gone without issue. Unchecke conflict with government efforts to curtail student loan rates, now makes partnership a rug to be looked under. Senator Ted Kennedy (Mass.) has li skeptical over the harmlessness of the "preferred lender lists" that many

> "Mr. Kennedy is pushing a bill that would require the disclosure of suc ban gifts and services worth more than $10 to college employees; and to tell students that they might be eligible for low-interest federal loar

Currently the de rigueur business agreement between lenders and college this:

> "The kinds of arrangements loan companies may have with colleges v the kind that Education Finance Partners has — paying a college incre money based on loan activity. Other lenders, including Sallie Mae, ma available to an institution for loans to students with poor credit, also b private loan volume."

Private loans might be the operative term here. Most lenders of course pr menu of federal loans, but they also make a bigger business with their priv alternative student loans. According to the NYT, private student loans now percent of all student loans put together, and they "have grown at an aver percent annually since 2001."

Potential Plot Twists

Players on all sides of the fence have predictions for bettors. Student loans guerrilla marketing mess if lenders are left to appeal directly to college stu are unable to recommend lenders; student loans could go up, especially fo bad credit and/or low income levels; or the relationship could be guarantee preferred lenders but based not on back office kickbacks relative to volume served, but instead on the best rates and service, buoyed up by the college reputation.

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