



NEW YORK STATE SENATOR

William Larkin

Larkin Cosponsors Measure To Protect College Students From Becoming Victims Of Inflated Student Loans

[WILLIAM J. LARKIN JR.](#) May 14, 2007

Senator Bill Larkin (R-C, Cornwall-on-Hudson) today announced the Legislature has passed a bill (S.5734) he cosponsored to establish protections for students and parents from exploitation by the student loan industry and institutions of higher learning.

Entitled the "Student Lending Accountability, Transparency and Enforcement Act," the bill aims to prevent students from being steered into taking out loans laden with conflicts of interest between banking institutions and colleges or universities. It also creates a state fund to educate borrowers about the student loan process and reimburses students who were unknowingly charged inflated loan prices.

Higher education loans constitute an \$85 billion industry every year. In response to the staggering array of lenders that offer education loans, many colleges and universities have created lists of recommended lenders. The practice of recommending these "preferred lender lists" to students and their families, and the college loan industry in general, is currently being investigated nationwide by the Attorney General's Office. That investigation has thus far revealed the increasing use of questionable methods to market private loans to students and their families.

For example, many institutions do not inform student and their parents about the criteria used to formulate the lists of recommended lenders. Nor do they disclose the potential conflicts of interest on their part.

"Going to college is challenging enough," said Senator Larkin. "Most college students have to depend on at least some form of student loans in order to afford college so they shouldn't have to fear being exploited when they take out student loans. This bill provides a code of conduct for lenders and institutions of higher learning that will help put an end to misleading practices. The bill also establishes tough penalties for violators."

The bill was sent to the Governor.