



Category:  
Financial  
Student Affairs

Responsible Office:  
[Enrollment Management](#)

**Policy Title:**

Suggested Lender Lists for Title IV Federal Family Education Loans and Private Alternative Loans

Document Number:  
3404

Effective Date:  
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This policy item applies to:  
State-Operated Campuses

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**Summary**

This policy establishes procedures and standards to ensure compliance with the Code of Conduct agreement entered into on March 31, 2007 and revised on May 22, 2007 between the State University of New York (University) and the NY Attorney General for campus development of a suggested lender list for use in providing guidance to students and parents as they select a lender for Federal Family Education Loans or private market student loans.

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**Policy**

- 1) General
  - A. Unless otherwise required by federal statute or regulation, no campus is required to develop or use a suggested lender list (SLL) for either Federal Family Education Loans Program (FFELP) loans or private alternative loans.
  - B. Consistent with federal statute and regulation (*Section 432(m)(1)(B) of the HEA and CFR 34 682.603(e)(3)*) a campus must certify in a timely manner a complete and valid federal loan application for any lender selected by a borrower for any loan program in which that campus participates.
  - C. If a campus elects to develop a SLL, the following standards should be adhered to:
    1. The campus must establish a written procedure for development and use of the SLL.
    2. Acceptable use is limited to considerations of the best interests of the borrower, including:
      - a) Use as a consumer education and counseling tool for the benefit of student and parent borrowers.

b) As a way to determine compatibility of lender administrative procedures and systems capacity with campus needs so that loan proceeds may be processed and disbursed in timely manner.

3. Campus creation and use of a Selected Lender List and the choice of lenders to include on the list may be determined solely by consideration of the best interests of the student or parent borrowers who may use the list and without regard to the financial interests of the campus.

4. Publication or distribution of the list must be accompanied by a summary explanation of how the list was developed (see section 2 C, below).

5. A SLL must include at least three unaffiliated lenders.

6. The conflict of interest and code of ethics provisions of the NYS Public Officers Law §§73 & 74 apply to the selection of and relationship with suggested lenders.

2) Selection of Suggested Lenders.

A. A campus may use a variety of methods for initially gathering information to select lenders for the list, such as but not limited to:

1. Request For Information
2. Lender presentations
3. Communication with industry colleagues

B. Both objective criteria and subjective criteria may be used to add or remove a lender from a SLL

1. Written documentation should be maintained for both objective and subjective criteria used to determine a lender's performance in relation to the criteria.

C. Except where required in subsections to this part, criteria used in the selection or removal of lenders may include, but not be limited to:

1. Lender Stability, Quality of Products and Services
  - a) Years in the student loan business
  - b) Source and stability of capital
  - c) Recent merger and acquisition activity
  - d) Demonstrated commitment to debt management and default aversion programs
  - e) Fair lending practices
  - f) Fair and accurate marketing and product promotion practices
  - g) Recognition of the broad social benefits of higher education

- h) Policy and practice on ownership and servicing of loans, including
    - (1) A lender must disclose, and a campus must include on the SLL, the lender's practice with regard to the sale of loans and,
    - (2) A lender must provide assurance that advertised borrower benefits will continue to inure to the benefit of the borrower in the event the loan is sold.
  - i) Understanding and compliance with federal program rules and regulations
  - j) Practices related to direct to consumer marketing
  - k) Community service activities, including support of programs to promote the importance of education.
2. Customer Service
- a) Ease of application process
  - b) Quality of web information
  - c) Expertise of lender representatives
  - d) Expertise and accessibility of phone representatives
  - e) Loan consolidation services and options
  - f) Prompt resolution of loan procession problems
3. Lender Operational Capacity and Standards
- a) Flexible, state-of-the-art technology
  - b) Integration into the campus loan processing system
  - c) Variety of disbursement options
  - d) Ability to consistently meet agreed upon performance standards
4. Value Added Support and Services [consistent with 34 CFR 682.200(b)(5)(i)] such as staff training activities
5. Other
- a) Lender performance and products must be reviewed at least annually.
  - b) Lenders may be removed or added to a SLL at any time and with adequate performance documentation.

3) Consumer Information

A. Every brochure, campus web site or other publication that identifies the SLL, or any lender on the list, must include the following disclosures in the same font and manner as the predominant text on that document:

1. The reasons for creating a SLL
2. The basis for selection of the lenders included on the list and the method(s) by which they were selected, including but not limited to:
  - a) The criteria used in compiling the list, and
  - b) The relative importance of those criteria.
3. The fact that students are not required to use the lenders on the list
  - a) Any representation of the lenders on the list must include a selection option and instructions for the borrower to select any lender not identified on the list
4. Affirmation that the college will certify in a timely manner all valid loan applications for any loan program the institution participates in for any lender chosen by the borrower and that the borrower:
  - a) Has the right and ability to select the education loan provider of their choice,
  - b) Is not required to use any suggested lender, and
  - c) Will suffer no penalty for selecting a lender not on the suggested list.

4) Reporting

A. By June 1 of each year, each campus will provide to the Assistant Vice Chancellor for Student Financial Aid

1. A copy of their current SLL and
2. A copy of the written procedures described above in section 1) C. 1 of this policy.

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**Definitions**

Lending Institution - (a) Any entity that itself or through an affiliate engages in the business of making loans to students, parents or others for purposes of financing higher education expenses or that secures such loans, or (b) any entity, or association of entities, that guarantees education loans, or (c) any industry, trade or professional association that receives money from any entity described above in (a) and (b).

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**Other Related Information**

NASFAA Monograph #15, Guide to Developing a Preferred Lender List, May 2005 ©, available to NASFAA members at: [www.nasfaa.org](http://www.nasfaa.org)

GEN-07-01 March 30,2007 <http://ifap.ed.gov/dpcletters/FP0704.html>

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## **Procedures**

There are no procedures relevant to this policy.

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## **Forms**

There are no forms relevant to this policy.

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## **Authority**

The ad hoc Task Force on Establishment of Suggested Lender Lists convened under authority of the Vice Chancellor and Chief Financial Officer, March 2007.

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## **History**

Memorandum to presidents from the University counsel & vice chancellor for legal affairs dated May 25, 2007 regarding the revised agreement on code of conduct with the attorney general.

[Agreement with Attorney General on Code of Conduct for Student Lending Practices](#)

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## **Appendices**

There are no appendices relevant to this policy.