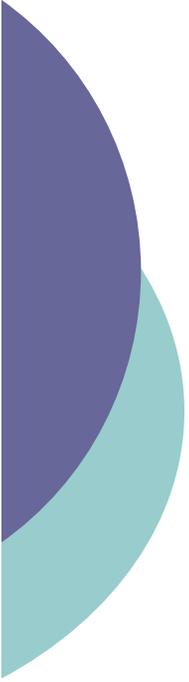


Alternatives to Preferred Lender Lists

These alternatives are **not Preferred Lender Lists** and have different requirements

- Third party lists
- Comprehensive List
- No List



Third Party Lender List

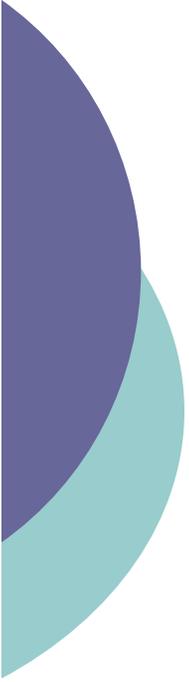
Requirements^[1]

- The school **must** ensure that the third party lender list site
 - Is broad in scope
 - Does not endorse or recommend any lenders
 - Lenders do not pay the third party entity to be placed on the list
 - Lenders do not pay a fee based on loan volume generated

Issues

- It may be difficult for the school to meet its obligation to ensure third party list compliance
- Many third party list providers do in fact charge a fee, sometimes indirectly (eg. through advertising)
- Third party lists may discriminate against legitimate lenders for reasons that are not apparent, but may violate regulations
- Third party providers are not supervised by any regulatory authority
 - The data they collect from your students and parents may be sold
 - Collecting and potentially mishandling confidential data may violate consumer protection law

[1] Federal Register, October 28, 2009, page 55630, <http://edocket.access.gpo.gov/2009/pdf/E9-25073.pdf>



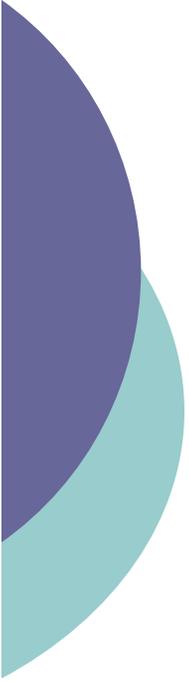
Comprehensive Lender List

Requirements

- A school may offer borrowers a list of **all** private education lenders that have made loans to students at the school within the past 3-5 year time period
- Must disclose that borrowers can choose from any lender
- Must state that the school does not recommend any lender
- Not required to include lenders who have exited the marketplace

Issues

- Schools may be unaware of significant changes made by lender to
 - Product features
 - Service levels
 - Emphasis on other loan products such as credit cards and car loans.
 - When families ask for advice, schools are prohibited from providing the guidance necessary for selecting the best product



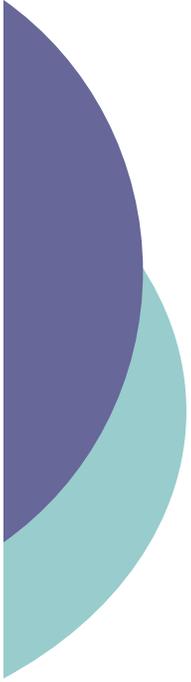
No Lender List

Requirements

- The school cannot communicate with the student regarding private loan options
- The school cannot provide assistance to students and families in their search for private student loans

Issues

- Lender research is left to students and families
- Causes a family much extra work, repeated over again for each family
- Often results in sub-optimal choices
 - Borrowing private funds in place of federal aid
 - Higher borrowing amounts than necessary
 - Higher rates
 - Poor service levels
- Increases administrative burden at the school due to multiple delivery flows and contact points
- When families ask for advice, schools are prohibited from providing the guidance necessary for selecting the best product



This information is provided as a tool for institutions and is an overview of current guidance and directives from the U.S. Department of Education and as always are subject to change. This overview is intended to help institutions understand their requirements and should not be construed as legal advice.