TO: CSU Presidents
FROM: Gary W. Reichard
Executive Vice Chancellor and Chief Academic Officer

SUBJECT: Student Loan Programs - Administrative Safeguards

On May 3, 2007, AA-2007-12 was transmitted to California State University campuses providing information regarding administrative safeguards relative to student loan programs. The advice in the memorandum took into account drafts of regulations that the Department of Education was considering as well as related proposed legislation at the federal level. While legislation is still pending, the Department of Education published final regulations pertaining to prohibited inducements and preferred lender lists in the Federal Register on November 1, 2007.

While these final regulations do not take effect until July 1, 2008, I encourage campus presidents to ensure that those provisions related to prohibited inducements and lender lists that extend beyond the advice in AA-2007-12 be implemented as soon as feasible. Those changes are identified in sections dealing with prohibited inducements and activities on the part of lenders and guaranty agencies, 34 Code of Federal Regulations (C.F.R.) §§ 682.200 and 682.401, and prohibited transactions, §682.212(h), related to preferred lender lists and campus practices in compiling and providing lender lists.

Notable changes that affect the advice in AA-2007-12 include provision in 34 C.F.R. §682.212(h)(1)(ii) that lender lists not contain fewer than three lenders that are not affiliated with each other and that will make loans to borrowers and students attending the school (emphasis added).

Consistent with these regulations and the inclusion, in 34 C.F.R. §682.200, of a definition of "school-affiliated organization," you are advised that the prohibited and permitted practices outlined in AA 2007-12 apply to "any organization that is directly or indirectly related to a school and includes, but is not limited to, alumni organizations,
foundations, athletic organizations, and social, academic, and professional organizations.”

Questions may be directed to Allison G. Jones, Assistant Vice Chancellor, Academic Affairs, Student Academic Support, at (562) 951-4744 or aijones@calstate.edu.

GWR: MLR

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