


Gary W. Reichard
Executive Vice Chancellor & Chief Academic Officer
greichard@calstate.edu
www.calstate.edu

401 Golden Shore, 6th Floor, Long Beach,
CA 90802-4210
562-951-4710 / Fax 562-951-4986

Code: AA-2007-36
December 7, 2007

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,

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

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 ajones@calstate.edu.

GWR: MLR

cc: CSU Provosts/Vice Presidents, Academic Affairs
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