

FOR IMMEDIATE RELEASE
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**KENNEDY CALLS ATTENTION TO SUSPECT MARKETING PRACTICES BY STUDENT
LOAN COMPANIES**

WASHINGTON, D.C.--Today, Senator Edward M. Kennedy, Chairman of the Senate Health, Education, Labor and Pensions Committee, sent the following letter to Secretary of Education, Margaret Spellings.

Chairman Kennedy raises concerns that some student loan providers are engaging in inappropriate marketing practices in an attempt to expand their business.

Kennedy is currently conducting an investigation into the student loan industry, including the ties between the Department of Education and student loan lenders.

The letter appears below.

April 19, 2007

The Honorable Margaret Spellings
Secretary
U.S. Department of Education
400 Maryland Avenue, SW, Room 7W301
Washington, DC 20202

Dear Secretary Spellings:

I am writing about information which raises concerns about whether companies offering federally-insured student loans are improperly marketing products to students. Specifically, it has come to my attention that two companies, the Federal Family Education Loan Processing Corp. and FSLs, Inc., are sending a mailing to students offering them a free MasterCard with \$300 of credit in exchange for providing a "testimonial resulting from our federal student loan services." (a sample mailing, with personal information reeducated, is attached for your review). It is my understanding that these companies facilitate students' applications for federally-insured consolidation loans offered by private lenders.

In addition, the first company mentioned above markets itself as "FFELP, Inc" and describes itself on its webpage as "established due to the 1965 Higher Education Act." In my view, such marketing tactics pose a serious risk of misleading students into thinking that the company is part of the Federal Government.

As you mentioned in your letter yesterday, the Higher Education Act "currently prohibits a...lender from...offering, directly or indirectly, premiums, payments, and other inducements to any educational institution or its employees, or to other individuals." In light of the circumstances described above, I ask that the Department examine whether this mailing constitutes an impermissible inducement under existing law. I would also ask that you examine whether FFELP, Inc's marketing tactics are appropriate in the student lending marketplace. If there are any questions, Nick Bath on my staff would be pleased to work with your staff. He can be reached at (202) 224-6912.

Thank you for your consideration.

Sincerely,

Edward M. Kennedy
Chairman