



Scandals Strike Student Loan Industry

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Fresh out of school and buoyed by a steady paycheck, many graduates start looking forward to financial security and independence...then start having to pay back student loans. The realization of having to repay student loans inevitably leads to irrational declarations that years of payment obligations must be crime or at the very least a rip off. But aside from monthly mutterings as the check is written, most people never question the student loan industry because for many student loans are a necessary evil to attain their educational goals.

Recently, however, government officials, colleges, and impassioned students have started taking a hard look at the student loan industry and taken legal action aimed at exposing alleged improprieties.

Since news of the recent investigations broke, schools across the country have begun conducting internal investigations into their financial aid practices and adopted new programs aimed at promoting greater transparency in the lending process. Davidson College in North Carolina recently announced that after examination of its financial aid program, it was eliminating need-based loans in an effort to reduce student debt and replacing them with work study opportunities and grants.

A move as dramatic as Davidson College's is not appropriate for most institutions. But all institutions should adopt rules on conflicts of interest for employees tasked with advising students on financial aid and review its relationships, if any, with lending companies. If you need assistance reviewing your program or drafting policies, please contact your local Fisher Phillips attorney.

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