

# NEWSLETTER

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## SALLIE MAE HIT WITH TWO LAWSUITS CLAIMING RACIAL DISCRIMINATION

- CARINA ZARAGOZA

Two lawsuits were filed against Sallie Mae on Thursday, December 27, 2007, in yet another blow to the business practices of the already hard-hit student loan company. Sallie Mae has come under scrutiny in the past year, beginning with New York Attorney General Andrew Cuomo's investigations into the lending and marketing practices of several student loan companies, of which Sallie Mae was one.

The plaintiffs in both lawsuits claim that Sallie Mae's underwriting practices steer racial minorities into borrowing more expensive education loans. In both lawsuits the interest rates on the education loans borrowed by the plaintiffs skyrocketed and are now more typical of credit card interest rates.

One of the plaintiffs, Sasha Rodriguez, is a Hispanic originally from Connecticut. She took out more than \$19,000 in private education loans through Sallie Mae in order to attend McIntosh College in New Hampshire. The principal balance has ballooned to more than \$33,000 and carries an interest rate of 18.125%.

The second plaintiff, Cathelyn Gregoire, borrowed more than \$14,000 from Sallie Mae. The private education loans helped Cathelyn, an African American from Tampa, Florida, attend the International Academy of Design and Technology. The interest rate on her loans was initially 7% but jumped to 13.25%.

Federal student loans are offered and readily available to assist students with the cost of attending college, and such loans often carry lower interest rates than private student loans. Interest rates on federal Stafford loans, the most popular and widely borrowed federal student loans, are fixed at 6.8% for loans disbursed after July 1, 2006. It is not known whether the plaintiffs were offered or borrowed federal student loans.

Sallie Mae has not commented on the allegations, but the lawsuits exemplify a year of incidents that have not only tarnished the company's public image but also hurt the company's profits. In a recent filing Sallie Mae announced that recent legislation cutting government subsidies to student lenders has made the profitability of student loans marginal at best. The filing also mentioned the racial discrimination lawsuit.

Lawsuit Alleging Racial Discrimination  
[www.hewi.net](http://www.hewi.net)

Sallie Mae Filing  
[news.yahoo.com/s/nm/20071228/bs\\_nm/salliemae\\_dc](http://news.yahoo.com/s/nm/20071228/bs_nm/salliemae_dc)

Cuomo Investigations  
[www.usnews.com/usnews/biztech/articles/070411/11loans-index.htm](http://www.usnews.com/usnews/biztech/articles/070411/11loans-index.htm)

Federal Subsidies Cut for Student Loan Lenders  
[online.wsj.com/public/article/SB118491008397572849.html](http://online.wsj.com/public/article/SB118491008397572849.html)

# NEWSLETTER

## FINANCIAL AID AWARDING DIFFERS BETWEEN LIKE COLLEGES, REPORT FINDS

- CARINA ZARAGOZA

The Institute for College Access and Success (TICAS) has found that student access to financial aid varies widely according to each institution. This may not seem too surprising given the maze that is financial aid. However, more interestingly, the report has found that similar institutions have varying financial aid policies. What is true at one community college might not be the case at another community college, the report found.

The report, "Green Lights and Red Tape," looked at 21 California community colleges across the state. TICAS examined several aspects of the financial aid services provided by each college, ranging from communication and information dissemination to outreach to minority students to basic administrative assistance.

Among the findings is the pressure financial aid offices face to provide appropriate information and assistance to their students while also meeting administrative demands. While all colleges may face institutional pressures and priorities, TICAS found that each college responds to these factors differently. The report's executive summary recapitulates this finding in simple terms: "The unofficial motto at one school's financial aid office is, 'When in doubt, give it out,' while an aid director at another school said, 'We are the police officers of Title IV funds.'"

A closer look at the practices at various community colleges revealed disparate treatment of funds and students. One college translates materials and forms into various languages that are known to be spoken by its student body. Conversely, another college "has materials only in English, despite having a large Latino population."

Another contrasting difference is the fact that many colleges work with faculty and staff to get information into the hands of students, while other colleges do not even publicize office hours.

The report goes on to provide several recommendations with the sole goal of helping students be successful at California community colleges. The recommendations are made to financial aid offices as well as state and federal agencies.

Report on TICAS's Study  
[www.hewi.net](http://www.hewi.net)

Green Lights and Red Tape  
[www.ticas.org/files/pub/Green\\_Lights\\_Red\\_Tape.pdf](http://www.ticas.org/files/pub/Green_Lights_Red_Tape.pdf)

# NEWSLETTER

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## NEWS IN BRIEF

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### **FEDERAL CUSTOMS HOUSE TO BE RENOVATED INTO MEMPHIS LAW SCHOOL**

Ownership of the former U.S. Customs House/Postal Office in downtown Memphis was recently transferred to the Tennessee state government, which will use the site for the new University of Memphis Law School. The transfer, which took place on December third, is the final step before initial construction begins on the site sitting at the intersection of Front St. and Monroe Ave. in Memphis. School officials anticipate that the renovation will be complete in early 2009 and expect to enlist 500 students and faculty by the fall of that year. Funding for the project is provided by the state government and is estimated to cost \$42 million. It has been officially listed as a "capital outlay project." Local foundations, in conjunction with a private \$12 million development plan, have thus far raised almost \$10 million from businesses and legal practitioners in Memphis. These funds will be allocated to cover the cost of the move of Memphis's U.S. Postal Office from the customs house to its new location.

### **GREENSBORO CHARITIES RECEIVE DONATIONS FROM PUBLIC INTEREST LAW SOCIETY**

The Public Interest Law Society (PILS) at Elon University School of Law has fulfilled the charitable sentiment of the season through recent donations to the Angel Tree drive for Freedom House and the Salvation Army. Freedom House is an organization which provides aid to substance-addicted single mothers and their children. The donated items included clothing, toys, toiletries,

and other basic necessity items. PILS co-president Rheanna Gaskin noted the gratitude of those receiving the donated items in observing, "The mothers at Freedom House were very emotional and extremely overjoyed. They were ecstatic because they were able to give their kids a gift for Christmas. Seeing the reaction of the mothers and their children when we walked in the door with those gifts made it all worthwhile. They were absolutely thrilled!" Gaskin delivered the items herself with PILS co-president Kristin Cook on December 11<sup>th</sup>.

### **UNIVERSITY OF UTAH LAW SCHOOL FACULTY TO WORK WITH PROSECUTORS IN AFGHANISTAN**

The University of Utah's S.J. Quinney College of Law recently announced that 20 of its faculty members will be involved in a project with Afghan prosecutors to help develop the nation's fledgling legal system. It is hoped that the partnership will help establish basic ground rules and a framework for the practice of law and justice in Afghanistan, which is still struggling to find stability in a post-Taliban era. The program has been officially named the Public-Private Partnership for Justice Reform in Afghanistan and was formally announced on December 13<sup>th</sup> at an event hosted by U.S. Secretary of State Condoleezza Rice and Afghanistan Attorney General Abdul Jabar Sabit. The primary aim of the collaboration is to train Afghan legal professionals in the areas of institutional justice reform, criminal procedure, and human rights, as well as investigation, indictment, prosecution, and management.