

261F.6 Standards for preferred lender lists.

1. A covered institution may make available a list of preferred lenders, in print or any other medium or form, for use by the covered institution's students or their parents, provided the list meets the following conditions:

a. The list is not used to deny or otherwise impede a borrower's choice of lender.

b. The list contains at least three lenders that are not affiliated and will make loans to borrowers or students attending the school. For the purposes of this paragraph, a lender is affiliated with another lender if any of the following applies:

(1) The lenders are under the ownership or control of the same entity or individuals.

(2) The lenders are wholly or partly owned subsidiaries of the same parent company.

(3) The directors, trustees, or general partners, or individuals exercising similar functions, of one of the lenders constitute a majority of the persons holding similar positions with the other lender.

c. The list does not include lenders that have offered, or have offered in response to a solicitation by the covered institution, financial or other benefits to the covered institution in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the covered institution or its students.

2. A covered institution that provides or makes available a preferred lender list shall do the following:

a. Disclose to prospective borrowers, as part of the list, the method and criteria used by the covered institution in selecting any lender that it recommends or suggests.

b. Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders.

c. Include a prominent statement in any information related to its preferred lender list advising prospective borrowers that the borrowers are not required to use one of the covered institution's recommended or suggested lenders.

d. For first-time borrowers, refrain from assigning, through award packaging or other methods, a borrower's loan to a particular lender.

e. Not cause unnecessary certification delays for borrowers who use a lender that is not included on the covered institution's preferred lender list.

f. Update the preferred lender list and any information accompanying the list at least annually.

3. If the servicer of a private educational loan is changed by a lending institution, the lending institution shall disclose the change to the affected borrower.

4. A lending institution shall not be placed on a covered institution's preferred lender list or in favored placement on a covered institution's preferred lender list for a particular type of loan, in exchange for benefits provided to the covered institution or to the covered institution's students in connection with a different type of loan.

2008 Acts, ch 1132, §8, 15