

ATTORNEYS GENERAL OF THE STATES OF NEW YORK AND FLORIDA

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In the Matter of

**Student Financial Services, Inc., Christopher Gurney,
Damian Kondrotas, and Tim Mooney;**

Respondents.

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ASSURANCE OF DISCONTINUANCE

WHEREAS the Offices of Attorney General of the State of New York and the State of Florida (collectively, the “OAG”) have commenced investigations pursuant to Executive Law (“Exec. L.”) § 63(12) and General Business Law (“GBL”) §§ 349 and 350 and Section 501.204, Florida Statutes, into practices related to higher education loans offered to students and parents (collectively, the “Investigation”);

WHEREAS in the course of the Investigation the OAG reviewed extensive evidence;

WHEREAS Student Financial Services, Inc., doing business as University Financial Services, including its subsidiaries and affiliates, referred to herein as “SFS”, has cooperated in the Investigation by voluntarily producing evidence and answering questions relevant to the Investigation;

WHEREAS, as set forth below, the OAG alleges that SFS has engaged in certain practices and omissions that violate GBL §§ 349 and 350, Exec. L. § 63(12) and Section 501.204, Florida Statutes;

WHEREAS, on November 15, 2007, the New York Attorney General served a notice of intention to sue SFS and its principals, Christopher Gurney, Damian Kondrotas, and Tim Mooney (hereinafter the “principals”);

WHEREAS SFS and its principals do not admit, and expressly deny, that their conduct constituted any violation of law;

WHEREAS SFS and its principals have advised the OAG of their desire to resolve the Investigation through this Assurance of Discontinuance (the “Assurance”);

WHEREAS SFS and its principals, without admitting the OAG’s Allegations set forth below, have agreed to alter certain of their practices with respect to education loans, to adopt a Code of Conduct for education loan practices, and to place consumer education notices in student newspapers, all as set forth specifically below;

NOW, THEREFORE, the OAG, based upon the Investigation, alleges as follows:

1. SFS is a Florida corporation with its headquarters in Clearwater, Florida. SFS does business under the name “University Financial Services.” SFS is a marketer and provider of federal student loan consolidations. SFS is not an “eligible lender” pursuant to the Higher Education Act. Accordingly, SFS originates and sells federal student loan consolidations through Wells Fargo Bank, National Association, an eligible lender that serves as Eligible Lender Trustee for SFS. SFS does not hold or service loans. SFS had an agreement to sell loans to GCO Education Loan Funding Corporation. SFS also had a marketing agreement with Fifth Avenue Consultants, LLC, in which SFS agreed to market federal consolidation loans for Fifth Avenue Consultants, LLC. In addition, SFS has an agreement with Sallie Mae, in which Sallie Mae agrees to originate and service loans on behalf of SFS and to purchase loans from SFS, through SFS’s eligible lender trustee, Wells Fargo Bank, National Association.

2. In April 2006, SFS began a marketing campaign in which it entered into

agreements to market its consolidation loans with sixty-three (63) college and university athletic departments and/or university-affiliated marketing companies (“the Athletic Department Agreements”). (See Appendix A for a list of the 63 colleges and universities.) Some of these agreements were entered into directly with a college’s or university’s athletic department, and others were entered into with a marketing company that had authority to sell: (a) the right to use a college’s or university’s name, logo, colors, mascot, and/or team name; (b) student or graduate mailing lists; (c) opportunities to include SFS advertising in mailings to students or graduates; and/or (d) other advertising opportunities. The marketing companies from which SFS purchased rights to use the insignia of the institutions of higher education were ESPN Regional Television, Inc., International Sports Properties, Inc., Beaver Sports Properties, LLC, Nelligan Sports Marketing, Inc., and Host Communications. In one case, SFS entered into an Athletic Department Agreement with a university athletic program’s booster club, the Arkansas State Indian Club.

3. Of the 63 colleges or universities covered by an Athletic Department Agreement, at least 17 colleges and universities, including Georgetown University, Florida Atlantic University, Tennessee Technical University, and the University of New Orleans, have suspended or cancelled their contracts with SFS. Several colleges, including Tulane and the University of North Carolina, Greensboro, assert that Athletic Department Agreements were terminated before being implemented. Similarly, the University of California Los Angeles (“UCLA”) alleges that the Athletic Department Agreement entered into by a third-party marketing company on behalf of UCLA was rejected by the University and that the terms were never implemented. Counsel for the respondents have represented to the OAG that as of December 7, 2007, all of the Athletic Department Agreements have been terminated.

4. In the majority of the Athletic Department Agreements, SFS was granted a license to use certain intellectual property of a college or university, such as the college's or university's name, sports team name, colors, mascot, and/or logo, in SFS's marketing materials. SFS was also typically granted access to mailing lists of current students and/or graduates of the college or university; the opportunity to advertise in college or university mailings, at sports events and other on-campus events; and/or the opportunity to advertise on the college's or university's athletic department website and to place a link from the athletic department's website to SFS's website. Other advertising opportunities, such as the opportunity to send an "email blast" to all of a particular college's or university's seniors, were also included in some of the Agreements.

5. In some of the Athletic Department Agreements, SFS agreed to pay the athletic department, marketing company, or booster club a fixed annual fee. In others, SFS agreed to pay fees to the athletic department, marketing company, or booster club based upon the number of substantially completed applications received by SFS and traceable to SFS's advertisements through the college or university. Other Athletic Department Agreements provided that SFS would pay a combination of fixed annual fees and fees based upon the number of substantially completed applications.

6. Some of the Athletic Department Agreements also included a provision stating that University Financial Services, the name under which SFS does business, shall have the title "Official Student Loan Consolidation Provider" or "Preferred Student Loan Consolidation Provider" of the college's or university's athletics.

7. SFS created and distributed "co-branded" marketing materials for at least 50 of the 63 colleges and universities covered by Athletic Department Agreements. Such co-branded advertisements typically included the college's or university's colors, logo, mascot, team name,

and/or institution name, as well as a toll-free number that incorporated the name of the college or university or team name, and a website address that incorporated the name of the college or university or team name. Pursuant to Athletic Department Agreements, SFS's co-branded advertisements appeared on college and university athletic department websites, in college and university athletic department mailings, in stadium signage, and in other advertising materials. Co-branded website advertisements typically linked to a co-branded webpage hosted by SFS. In many cases, these website advertisements included the college or university name, colors, mascot, team name, and/or logo, but did not include the name "University Financial Services." In some cases, the advertisements included the statement that: "University Financial Services is the Official student loan consolidation provider of [college or university] Athletics." In a few cases, colleges or universities required SFS to include disclaimers in co-branded advertisements. Such disclaimers included the statement: "University Financial Services is a private company and is not associated with [college or university]'s Financial Aid Department." In one Georgia State University mailing, an SFS advertisement was accompanied by a statement that the University did not endorse or sponsor SFS's advertisement.

8. A substantial number of the Athletic Department Agreements included provisions that prohibited the college or university, marketing company, or booster club from granting co-branded advertising rights to other student loan consolidation providers.

9. Pursuant to many Athletic Department Agreements, SFS was permitted to set up a table or booth at various on-campus events such as graduation fairs. At those events, SFS provided promotional material and consolidation loan applications to students; requested and collected students' names, addresses, and social security numbers; encouraged students to apply

for SFS consolidation loans; and assisted students in filling out SFS consolidation loan applications.

10. SFS has also offered potential borrowers the opportunity to win cash and other prizes in contests and sweepstakes. SFS advertises such contests at on-campus events sponsored by SFS, in direct marketing mailings promoting University Financial Services consolidation loans, and in postings on the University Financial Services website. The prizes offered include \$500, \$1000, or \$1500 in cash and a \$100 bookstore gift card. The advertisements of the sweepstakes on SFS's website include the text: "Enter our 'Win \$500 in Cash' Sweepstakes by filling out our easy online application" and "Apply Now and you could win \$500!" In fact, the "Official Rules" for SFS's contests state that entry is possible without filling out a federal consolidation application, and that no purchase is necessary. However, the Official Rules can be accessed only after clicking on a link at the bottom of the page. Moreover, the descriptions of the contests in some direct mail marketing materials fail to disclose that no purchase or application is necessary to enter the contests.

11. SFS offered and provided \$25 or \$50 payments to students in return for providing the names and addresses of persons "who meet the eligibility requirements who then complete an application with us."

12. SFS uses telemarketing scripts to market SFS consolidation loans to consumers. The telemarketing script includes statements characterizing University Financial Services' consolidation loan program as a "government program" and stating that borrowers who take loans from University Financial Services are "remaining with the government."

13. Certain SFS loan consolidation advertisements use phrases such as "save money,"

implying that borrowers will decrease the overall cost of their loans by consolidating.

14. SFS advertises that its employees provide individualized advice and consultations about consolidation loans. SFS's advertisements urge students to "speak with an experienced and professional Financial Specialist today to see if consolidation is right for you." Other SFS advertisements assert: "We listen. We consult. And we develop an individual game plan for each and every student and graduate we work with." However, SFS entered into an agreement with Sallie Mae in which SFS agreed not to "advise, encourage, or suggest to any potential borrower not to consolidate one or more of the potential Borrower's loans that are eligible to be consolidated."

15. In certain advertising and promotional materials, SFS included a "Student Loan Company Incentive Comparison Chart" that showed the borrower benefits and interest rate discounts purportedly offered by SFS and several other entities that offer consolidation loans. The chart stated that University Financial Services offered a 1% interest rate reduction after 24 on-time payments. However, the chart failed to disclose that this 1% interest rate reduction was offered only to borrowers with \$20,000 or more in loans.

16. SFS paid for meals and golf outings for employees of several colleges and universities on several occasions. On at least one occasion, SFS spent over \$1000 on a dinner for employees of several colleges and universities. SFS also spent over \$11,000 on golf outings and meals for representatives at an athletic department trade show.

ALLEGED VIOLATIONS

17. Fifty-nine (59) of the Athletic Department Agreements provide for per application payments, including nineteen (19) Athletic Department Agreements that provide for per application payments directly to colleges or universities. The per application fees create a

financial incentive for the college or university or marketing company to steer students to consolidate loans with SFS, regardless of whether loan consolidation, or loan consolidation with SFS, is in the students' best interest. Furthermore, the per application fees are not disclosed to students.

18. The representation that SFS is the "Official Student Loan Consolidation Provider" or the "Preferred Student Loan Consolidation Provider" of the institution's athletics department as provided for in several of the Athletic Department Agreements is misleading in that it falsely implies that SFS has been selected and/or is "preferred" by the institution based upon the merits of its loan terms and borrower benefits. In fact, the Athletic Department Agreements were entered into without a request for proposal or other serious back-and-forth discussion with the colleges or universities as to the merits of the terms and benefits offered by SFS as compared to the terms and benefits offered by other federal consolidation loan providers.

19. SFS's college and university co-branded advertisements use the college's or university's name, colors, logo, mascot, and/or team name, fostering the impression that: (1) the loan product is offered by the college or university, (2) the loan product is offered by the college or university in conjunction with an outside party, or (3) that the loan product is endorsed by the college or university itself (as distinguished from the college or university athletics) as the official or preferred loan consolidation provider of the school.

20. SFS's online advertisements for its sweepstakes, as described in paragraph 10, falsely imply that a consumer must submit an application for a consolidation loan in order to enter the sweepstakes. In the on-line advertisements, disclosure of the fact that no purchase or application is necessary is inadequate, and in the direct mail advertisements, such disclosure is non-existent.

21. SFS's payments to borrowers in return for providing referrals of other eligible borrowers, as described in paragraph 11, create a financial incentive for consumers to refer potential borrowers to SFS consolidation loans, regardless of whether consolidation, or consolidation with SFS, is in the potential borrower's best interests.

22. SFS's statements in telemarketing scripts that SFS's program is a "government program" and that borrowers who choose SFS are "remaining with the government," described in paragraph 12, are false and misleading in that they foster the impression that the loan provider is the federal government or that SFS is associated with the federal government.

23. As set forth in paragraph 13, representations in certain SFS loan consolidation advertisements that borrowers will "save money" imply that borrowers will decrease the overall cost of their loans by consolidating. Students with variable interest rate federal loans may, in fact, reduce the overall cost of their loans by locking in at a lower fixed rate if they do not opt to extend the repayment period for their loan. However, borrowers who consolidate federal loans disbursed after June 2006, which are fixed rate loans, will pay slightly *increased* interest rates as a result of consolidating, except in limited circumstances. In addition, the overall cost of loans will increase for many borrowers who consolidate loans because most borrowers extend their loans' repayment period when consolidating.

24. As described in paragraph 14, certain SFS loan consolidation advertisements state that SFS provides individualized, expert advice to consumers concerning consolidation loans. However, SFS entered into an agreement with Sallie Mae in which SFS agreed not to "advise, encourage, or suggest to any potential borrower not to consolidate one or more of the potential Borrower's loans that are eligible to be consolidated." This provision prevents SFS from providing sound, expert advice or information to students as to the advantages and disadvantages

of consolidating their loans, including that consolidation of loans will (a) in many cases, increase the overall cost of the loan; (b) in all cases, result in the loss of any borrower benefits offered in connection with the borrower's current loans; and/or (c) in some cases, result in the loss of particular benefits such as the government's payment of interest for Perkins loans and certain other federally subsidized loans during certain deferment and grace periods and certain cancellation rights that attach to Perkins loans.

25. SFS's advertised borrower benefit comparison chart, described in paragraph 15, fails to disclose that SFS's 1% interest rate reduction after 24 on-time payments is offered only to borrowers with \$20,000 or more in loans.

26. The OAG alleges, based on the foregoing, that SFS and its principals violated GBL §§ 349 and 350 and Exec. L. § 63(12) and Section 501.204, Florida Statutes. SFS and its principals deny these allegations.

AGREEMENT

IT NOW APPEARING THAT SFS and its principals, while they deny any violation of the laws cited in this Assurance, desire to settle and resolve the Investigation without admitting the OAG's Allegations;

AND IT FURTHER APPEARING THAT SFS and its principals agree to accept a Code of Conduct promulgated by the OAG for entities that provide, market, and/or service education loans;

NOW, THEREFORE, the OAG and SFS and its principals hereby enter into the Assurance, pursuant to Executive Law § 63(15) and Section 501.207, Florida Statutes, as follows:

A. Code of Conduct

i. Definitions

27. For purposes of this Code of Conduct, the term “institution of higher education” shall mean any college or university and any department or subdivision thereof, including but not limited to, an athletic program or alumni association.

28. For purposes of this Code of Conduct, the term “booster club” refers to an association or entity whose primary function is to support a college’s or university’s athletic program or programs.

29. For purposes of this Code of Conduct, the term “marketing company” refers to a company that has the right to sell or license the right to use the name, team name, logo, mascot, or other intellectual property of an institution of higher education for marketing purposes.

30. For purposes of this Code of Conduct, the term “education loan” means any higher education loan or higher education consolidation loan.

ii. Prohibition of Certain Remuneration to Institutions of Higher Education

31. SFS shall not provide, directly or indirectly, anything of value to any institution of higher education, marketing company, alumni association, or athletic program booster club in exchange for any advantage or consideration provided to SFS related to SFS’s higher education loan activity, including but not limited to placement on any institution of higher education’s preferred lender list or billing as an “official” or “preferred” lender of an institution of higher education, institution of higher education athletic program or team, institution of higher education alumni association, or athletic program booster club. This prohibition on providing anything of value shall also include, but not be limited to, (i) “revenue sharing” arrangements, (ii) providing an institution of higher education with any computer hardware for which the institution pays below-market prices, and (iii) providing printing costs or services.

Notwithstanding anything else in this paragraph, SFS may continue to participate in school lender programs that are sanctioned by federal regulations and may provide assistance to an institution of higher education as contemplated in 34 CFR 682.200(b)(definition of "Lender")(5)(i).

32. SFS shall terminate all of the contractual agreements set forth in Appendix A by December 31, 2007.

iii. Prohibition of Certain Remuneration to Higher Education Employees

33. SFS shall not provide, directly or indirectly, anything of more than nominal value during any 12 month period to any officer, trustee, director, employee or agent of any institution of higher education, except that nothing in this section shall preclude an officer, trustee, director, employee or agent of any institution of higher education, or any family member thereof, from receiving a loan from SFS in the ordinary course of SFS's business. Nothing in this paragraph shall prohibit any officer, trustee, director, employee or agent of an institution of higher education, who has no involvement in either the affairs of the institution's financial aid office or in the institution's financial aid decisions, from serving on an SFS board or advisory body or otherwise providing services to SFS, and receiving remuneration therefrom.

iv. Limitations on Lender Advisory Boards

34. SFS shall not provide, directly or indirectly, any remuneration to or reimburse expenses of any officer, trustee, director, employee or agent of an institution of higher education for service on any advisory board of SFS that addresses issues relating to financial aid or SFS's higher education loan activity.

v. Prohibition of SFS's Staffing of Financial Aid Offices

35. No employee, representative or other agent of SFS may staff an institution of

higher education's financial aid offices at any time where that employee has contact with students other than general debt counseling, such as in exit interviews with students concerning loan obligations they have already incurred. SFS shall take all appropriate steps necessary to ensure that none of its employees, representatives or other agents is ever identified to students or prospective students of an institution of higher education, or their parents, as an employee, representative or agent of an institution of higher education. Nothing in this paragraph prevents SFS from promoting or marketing its products or services to borrowers or potential borrowers and/or providing education and information to students on the options, obligations and issues related to financing their education provided that SFS does so in its own name.

vi. Prohibition of Opportunity Loans

36. SFS shall not arrange with an institution of higher education to provide any Opportunity Loans, if the provision of such Opportunity Loans are offered in return for, or in exchange for, a specified loan volume from the institution of higher education or placement on the institution's preferred lender list. For purposes of this paragraph, "Opportunity Loans" refers to loans extended to students with poor or no credit history or international students who might otherwise not be eligible for the lenders' private/alternative loan program.

vii. Maintenance of Repayment Benefits

37. If SFS sells, after the date of this Agreement, any education loan that it has provided, or if SFS changes the servicer of any loan it has provided, then SFS shall take all commercially reasonable steps to ensure that all benefits originally represented as being available to a borrower (or other benefits substantially identical or better) during the repayment phase of the loan and the possibility of such benefits, including any benefits that were represented as being available but for which the borrower had not yet qualified, will continue to inure to the

benefit of the borrower to the same extent as if SFS had not sold or changed the servicer of the loan. If SFS purchases any education loans, it will honor all benefits promised by the seller (or other benefits that are substantially identical or better) to the borrower during the repayment phase of the loan, including the possibility of such benefits.

viii. Full Disclosure of Sales of Loans to Another Lender

38. SFS shall fully and prominently disclose to potential borrowers any agreement between SFS and any unaffiliated entity to sell loans SFS may make to such potential borrowers.

ix. Disclosure at the Request of Institutions of Higher Education

39. Upon the request of any institution of higher education, SFS shall disclose to the institution, in reasonable detail and form, (i) the historic default rates of borrowers from said institution, and (ii) the rates of interest charged to borrowers from the institution in the year preceding the disclosures and the number of borrowers obtaining each rate of interest.

x. Prohibition of Co-Branding

40. SFS shall not use or purchase from an institution of higher education or a third party the rights to an institution of higher education's colors, name, team name, logo, and/or mascot in any advertisements or other promotional materials directed at potential borrowers.

xi. Prohibition of Inducements to Students – Sweepstakes and Prizes

41. SFS shall not offer or provide prizes or payments to potential borrowers in connection with the marketing or promotion of education loans.

xii. Prohibition of Inducements to Students – Referral Payments

42. SFS shall not offer or provide payments to borrowers in return for referrals of potential borrowers eligible for consolidation loans.

xiii. Direct Marketing Representations and Disclosures

43. SFS shall not represent, directly or by implication, in promotional materials that borrowers will “save money” or that borrowers will lower their interest rates by consolidating unless such representations are true for most borrowers taking out SFS’s consolidation loans.

44. SFS shall not represent, directly or by implication, in promotional materials that SFS will provide professional and/or expert advice or consultations to students in connection with consolidation loans unless and until SFS is relieved from contractual provisions prohibiting SFS from advising students that consolidating particular loans may not be in their best interests, and unless and until SFS provides professional, objective advice to students.

45. If SFS uses a comparison chart showing incentives offered by various lenders as part of SFS’s promotional materials, SFS shall include accurate and up-to-date information about incentives offered by SFS and other lenders in the chart.

46. SFS shall provide the borrower benefits advertised in SFS’s promotional material and advertising to all eligible borrowers who submit applications in reliance on such borrower benefits.

47. SFS consolidation loan applications shall clearly and conspicuously¹ disclose the following:

(1) interest rate information:

(a) in federal consolidation loan applications, that the interest rate is the weighted average of the interest rates on the loans to be consolidated, rounded up to the nearest one-eighth of a percent and capped at 8.25% (or, if this formula is modified through future legislation, the

¹ For purposes of this Assurance, the term “clearly and conspicuously” means that the statement, representation or term being disclosed is of such size, color, contrast and/or audibility and is so presented as to be readily noticed and understood by the person to whom it is being disclosed. If such statement is necessary as a modification, explanation or clarification to other information with which it is presented, it must be presented in close proximity to the information it modifies, in a manner so as to be readily noticed and understood. In addition to the foregoing, in interactive media, the disclosure shall also be unavoidable (i.e., no click-through required to access it), and shall be presented prior to the consumer incurring any financial obligation.

new formula), and

(b) in private consolidation loan applications: the range of interest rates available, whether the rate is fixed or variable, and if variable, the index used and the events triggering a change in interest rate, and whether there are any origination or other fees;

(2) repayment term options;

(3) a statement to the effect that extending the repayment term will increase the total interest paid over the life of the loan;

(4) deferment and forbearance policies and options;

(5) the schedule under which unpaid interest will be capitalized during periods of deferment or forbearance (*e.g.*, quarterly, annually, or at the time of repayment);

(6) whether an inquiry will be made into a consumer's credit history as part of the application process;

(7) all borrower benefits/rate discounts offered, the conditions necessary to qualify for such benefits, and any penalties for borrower transgressions;

(8) if any borrower benefits are contingent on a certain number of timely, consecutive payments, the definition of timely, consecutive payments, and

(9) a statement to the effect that consolidation effectuated during a grace period will result in the loss of the borrower's remaining time left in the grace period.

48. SFS shall not process any consolidation loan application more than 30 days prior to the expiration of a borrower's grace period unless the borrower has completed a waiver form affirming that the borrower understands that (a) the borrower is waiving the remaining portion of the borrower's six month grace period that follows graduation or separation from school for Stafford loans or nine months grace period for Perkins loans; (b) the borrower will not be granted

any grace period on the borrower's consolidation loan (unless SFS offers a grace period for the consolidation loan); (c) the borrower will lose any borrower benefits offered by the borrower's current lender on the loans that are being consolidated; and (d) by consolidating, the borrower is forfeiting the right to have the government pay the interest during grace periods on any subsidized Perkins loans that are being consolidated.

49. After SFS has determined that an applicant is eligible for a federal consolidation loan and before SFS accepts a signed master promissory note from such applicant, SFS shall provide the applicant with a completed Uniform Disclosure Statement for Federal Consolidation Loans, in the form attached as Appendix B.

50. Should SFS market or provide private consolidation loans, SFS shall provide all applicants for such loans with a completed Uniform Disclosure Statement for Private Consolidation Loans, in the form attached as Appendix C, after SFS has determined that the applicant is eligible for a private consolidation loan and before SFS accepts a signed master promissory note from such applicant.

51. SFS shall clearly and conspicuously disclose the following on a promissory note for a consolidation loan: (1) the interest rate of the loan; (2) whether the rate is fixed or variable; (3) the annual percentage rate ("APR") of the loan; (4) the principal amount for repayment; (5) the term of the loan; (6) the monthly payment amount, and disclosure of whether, when, and how much the monthly payment amount will increase due to a graduated or other non-standard repayment schedule; (7) origination or other fees, if any; (8) an estimated total repayment amount; (9) an explanation of any borrower benefits and discounts and the conditions that must be met to qualify for such discounts, and any penalties for borrower transgressions; (10) whether borrower benefits and discounts will be lost if the loan is sold to another lender;

(11) whether the loan will be sold to another lender; (12) the servicer of the loan; and (13) a statement to the effect that the borrower has the right to prepay all or part of the loan at any time without penalty.

52. SFS shall not offer consolidation loans that consolidate federally guaranteed loans and non-federally guaranteed loans into a single loan.

53. Should SFS market or provide education loans such as Stafford or PLUS loans through the Federal Family Education Loan Program (“FFELP”) or private education loans, including private consolidation loans, SFS’s loan applications shall provide a fourteen day cancellation period in connection with such loans.

54. Should SFS market or provide education loans such as Stafford or PLUS loans through the Federal Family Education Loan Program (“FFELP”) or private education loans, including private consolidation loans, SFS’s applications for such loans shall clearly and conspicuously disclose the following:

a. interest rate information, including: (1) the range of interest rates available, (2) whether the rate is fixed or variable, and (3) if variable, the index used and the events triggering a change in interest rate;

b. origination or any other fees;

c. estimated monthly payment amount, and disclosure of whether, when, and how much the monthly payment amount will increase due to a graduated or other non-standard type of repayment schedule;

d. repayment term options and repayment policies and options, including whether repayment policies allow for immediate repayment, interest-only repayment, or deferment while attending school;

- e. a statement that extending the repayment term will increase the total interest paid over the life of the loan;
- f. deferment and forbearance policies and options;
- g. the schedule under which unpaid interest will be capitalized during in-school periods and/or during periods of deferment or forbearance (*e.g.*, quarterly, annually, or at the time of repayment);
- h. whether an inquiry will be made into a consumer's credit history as part of the application process;
- i. all borrower benefits/rate discounts offered, the conditions necessary to qualify for such benefits, and any penalties for borrower transgressions;
- j. if any borrower benefits are contingent on a certain number of timely, consecutive payments, the definition of timely, consecutive payments;
- k. that borrowers may cancel the loan within fourteen days; and
- l. in the case of private loan applications, a statement to the effect that borrowers should exhaust all federal borrowing options before turning to private loans.

55. Should SFS market or provide education loans such as Stafford or PLUS loans through the Federal Family Education Loan Program, SFS shall provide all approved applicants for a such loans with a completed Uniform Disclosure Statement for Stafford Loans, in the form attached as Appendix D, or for PLUS Loans in the form attached as Appendix E, after SFS has determined that an applicant is eligible for such loan and before accepting a signed master promissory note from the applicant.

56. Should SFS market or provide private education loans, SFS shall provide all approved applicants for such loans with a completed Uniform Disclosure Statement for Private

Loans, in the form attached as Appendix F, after SFS has determined that an applicant is eligible for such loan and before accepting a signed master promissory note from such applicant.

57. Should SFS market or provide education loans such as Stafford or PLUS loans through the Federal Family Education Loan Program (“FFELP”) or private loans, including private consolidation loans, SFS’s promissory notes shall clearly and conspicuously disclose the following:

- a. the interest rate, whether the rate is fixed or variable, and if variable, the index used and the events triggering a change in interest rate;
- b. estimated APR;
- c. the margin and index;
- d. estimated origination fees and any other fees;
- e. estimated monthly payment schedule;
- f. borrower benefits and discounts, and the conditions necessary to qualify for such benefits, and any penalties for borrower transgressions;
- g. the principal amount of the loan;
- h. the total estimated amount to be paid over the life of the loan;
- i. the term of the loan;
- j. deferment and forbearance policies and options, including a statement explaining the effect on loan cost of choosing particular deferment or forbearance options;
- k. the schedule under which unpaid interest will be capitalized during in-school periods and or during periods of deferment or forbearance (*e.g.*, quarterly, annually, or at the time of repayment);

- l. whether borrower benefits and discounts will be lost if the loan is sold to another lender;
- m. whether the loan will be sold to another lender;
- n. the servicer of the loan;
- o. that borrowers may cancel the loan within fourteen days; and
- p. a statement to the effect that the borrower has the right to prepay all or part of the loan at any time without penalty.

58. Should SFS market or provide private education loans, including private consolidation loans, SFS shall include in all advertising and promotional materials a statement to the effect that borrowers should exhaust all federal borrowing options before turning to private loans.

59. SFS shall limit the amount of all loans to the student's actual annual cost of attendance as determined by the institution of higher education attended by the student.

60. SFS shall not offer misleading rate information, or provide "teaser" or introductory interest rates without clearly and conspicuously disclosing the circumstances under which such rates may change.

61. SFS shall provide all loan cosigners with all of the disclosures made to the primary borrower.

62. SFS shall comply with all applicable provisions of the Equal Credit Opportunity Act and Regulation B.

63. SFS shall not charge prepayment or repayment penalties.

64. SFS shall not sell or otherwise disclose personal information (e.g., name, address, social security number, email addresses, phone number) collected from consumers in the course

of SFS's marketing or promotional activities, except that SFS may sell or disclose personal information collected from consumers where: (a) such sale or disclosure is consistent with SFS's published privacy policy, and (b) such privacy policy was clearly and conspicuously disclosed to the affected consumer at the time SFS solicited the consumers' personal information.

65. Should SFS offer any educational materials, either online or in print, that are endorsed by a governmental agency, such materials shall not include any marketing or steering of consumers to particular lenders or loan products, except that such materials may include comparisons and/or rankings of lenders or loan products based solely on objective criteria and related links.

66. SFS shall not distribute or post online promotional or marketing materials that use insignia or text that fosters the impression that the materials were created or distributed by the federal government or an entity associated with the federal government, or that fosters the impression that the lender is the federal government and/or an entity associated with the federal government.

67. SFS shall not distribute promotional or marketing materials that contain or include a document resembling a check or other valid negotiable instrument unless the document is a valid check or other negotiable instrument.

68. SFS shall not distribute promotional or marketing materials that contain false or misleading loan rebate offers, including materials that appear to offer a rebate on a consumer's existing loan, when in fact such rebate is offered as an incentive for the consumer to take out a new loan.

69. SFS shall not distribute promotional or marketing materials that falsely imply that the materials were sent to the consumer by a servicer or holder of an existing loan of that consumer.

70. SFS shall not offer or provide gift cards, gifts, prizes, payments, mileage, or other items of value to potential borrowers in exchange for submitting an application, providing a testimonial, or borrowing from SFS, except that SFS may offer borrower benefits relating to the terms of the loan, such as interest rate reductions, rebates, fee waivers, and principal reductions.

B. Placement of Notices in Student Newspapers

71. SFS shall place at least one notice in the highest-circulation student newspaper at each of the 63 colleges and universities listed in Appendix A which have a student newspaper during the week of February 18, 2008, provided that classes are in session, or during the next week that classes are in session. If a college or university listed in Appendix A does not have a student newspaper, SFS shall make every effort to place a notice in an alternative publication, website, or other media at the college or university. Such notice shall be in the form annexed hereto as Appendix G, except that notices placed in student newspapers or alternative publications at colleges and universities located in the State of Florida shall be in the form annexed hereto as Appendix H. Such notice shall not be less than one-half page in size and shall be placed in a section of the newspaper or alternative publication other than the classified or legal notice section.

72. SFS shall spend \$60,000 to accomplish the directives set forth in Part B of this Assurance. SFS shall submit a proposed budget and plan to the OAG by January 18, 2008, specifying, for each college or university: (1) the name of the student newspaper or alternative publication in which the notice will be placed; (2) the name and telephone number of SFS's

contact person at the student newspaper or alternative publication where the notice will be placed; (3) the size of the notice that will be placed; (4) the date or dates that the notice will appear; and (5) the total cost to SFS for placement of the notice. The Office of the New York Attorney General, in consultation with the Office of the Florida Attorney General, shall either approve the proposed budget and plan or direct SFS to modify the proposed budget and plan. To the extent that SFS's proposed expenditures as set forth in the proposed budget and plan fall short of \$60,000, the Office of the New York Attorney General shall direct SFS to place additional notices in student newspapers or alternative publications at certain of the 63 colleges and universities set forth in Appendix A or shall direct SFS to donate an amount equal to the shortfall to the New York Attorney General's fund for educating and assisting students and their parents with respect to the financial aid process.

73. The notices shall not contain any graphics or any text other than the text set out in Appendix G or, with respect to colleges and universities located in Florida, Appendix H, and shall replicate in every detail the notices attached as Appendices G and H, as applicable.

C. Scope of the Assurance

74. Except as provided below, the Assurance concludes the investigation and precludes any action that the OAG could commence against SFS and its principals Christopher Gurney, Damian Kondrotas, and Tim Mooney, and its current and former officers, trustees and employees for the acts, practices, and omissions listed in the Assurance; provided however, that nothing contained in the Assurance shall be construed to cover claims of any type by any other state agency, or any claims that may be brought by the OAG to enforce SFS's or its principals' obligations arising from or relating to the provisions contained in the Assurance. The Assurance shall not prejudice, waive or affect any claims, rights or remedies of the OAG with respect to any

person, other than SFS and its principals and current and former officers, trustees and employees, all of which claims, rights, and remedies are expressly preserved, nor shall the Assurance create any rights on behalf of persons not parties to the Assurance.

D. Cooperation

75. SFS and its principals shall cooperate fully and promptly with the OAG with regard to the Investigation and any related proceedings and actions related to higher education loans. SFS and its principals shall use their best efforts to ensure that all of their officers, directors, employees and agents also fully and promptly cooperate with the OAG in the Investigation and any related proceedings and actions, subject to their individual rights and privileges. Except where prohibited by applicable law, cooperation shall include without limitation:

(a) Production, voluntarily and without service of subpoena, by SFS of any information and all documents or other tangible evidence related to education loan practices reasonably requested by the OAG, and any compilations or summaries of information or data that the OAG reasonably requests be prepared, subject to recognized privileges and protections for confidential information; and

(b) Using best efforts to cause SFS's officers, directors, employees and agents to attend any proceedings related to the Investigation at which the presence of any such persons is reasonably requested by the OAG, and having such persons answer any and all inquiries that may be put by the OAG to any of them at any proceedings voluntarily, and without service of a subpoena, subject to their individual rights and privileges ("Proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing and trial).

76. In the event any document otherwise required to be provided under the terms of

the Assurance is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing indicating: the type of document; the date of the document; the author and recipient of the document; the general subject matter of the document; the reason for withholding the document; and the Bates number or range of the withheld document. The OAG may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by SFS, its officers, directors, employees, or agents.

77. SFS and its principals shall not jeopardize the confidentiality of any aspect of the Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation without the consent of the OAG. Nothing herein shall prevent SFS or its principals from conferring with counsel or consultants or from providing such evidence or information to regulators or as otherwise required by law.

E. Miscellaneous Provisions

78. The Assurance is entered into Pursuant to Executive Law § 63(15) and Section 501.207, Florida Statutes. As such, evidence of a substantive violation of the Assurance by SFS shall constitute prima facie proof of a violation of Exec. L. § 63(12) and GBL §§ 349 and 350 and Section 501.204, Florida Statutes in any civil action or proceeding subsequently commenced by the OAG.

79. This Assurance shall be governed by and construed in New York and Florida in accordance with the laws of the States of New York and Florida, respectively, without reference to their conflict of laws rules. SFS and its principals consent to, and waive any objection to, jurisdiction and venue in New York State Supreme Court in New York County, New York or, to the extent of any enforcement by the State of Florida with respect to colleges and universities

located in Florida, consent to, and waive any objection to, jurisdiction and venue in the Leon County Circuit Court in Leon County, Florida.

80. No failure or delay by the OAG in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative.

81. SFS and its principals enter into the Assurance voluntarily.

82. The Assurance may be changed, amended or modified only by a writing signed by all parties hereto.

83. The Assurance constitutes the entire agreement between the OAG and SFS and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of the Assurance.

84. The Assurance shall be binding upon and extend to SFS; its principals, including Christopher Gurney, Damian Kondrotas, and Tim Mooney; directors; agents; employees; successors; heirs; assigns and/or purchasers of all or substantially all its assets; and any other corporate or other entity or device through which it may now or hereafter act, as well as any persons who have authority to control and direct or who, in fact, control and direct its business, provided, however, that any successor to SFS may petition the OAG for relief from such undertakings.

85. The Assurance and its provisions shall be effective and binding only when it is signed by all parties. Except as provided in paragraphs 32 and 71-72, SFS and its principals must implement the provisions of this Assurance by February 29, 2007. SFS may petition the OAG for additional time to implement provisions under this Assurance. The OAG shall

grant that relief for a reasonable time on a showing of good cause for the delay in implementation.

86. The Assurance may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument.

87. Nothing contained herein shall be construed as relieving SFS or its principals of their obligation to comply with all state and federal laws, regulations or rules, nor shall any of the provisions of the Assurance be deemed permission to engage in any act or practice prohibited by such laws, regulations or rules. In the event that performance of any provision of this Assurance is rendered impossible by any New York, Florida, or federal law, regulation, or binding directive, such law, regulation, or binding directive shall control. Notwithstanding anything else in this Assurance, SFS may continue to engage in conduct sanctioned by federal regulations and may provide assistance to an institution of higher education as contemplated in 34 CFR 682.200(b) (definition of "Lender")(5)(i) and guidance from the Department of Education.

88. The acceptance of the Assurance by the OAG shall not be deemed approval by the Attorney General of any of the business practices of SFS and its principals, and SFS and its principals shall make no representation to the contrary.

89. Nothing in this Assurance constitutes an admission of liability by SFS or its principals as to any issue of fact or law.

90. Unless otherwise provided, all notices as required by the Assurance shall be provided as follows:

To the OAG:

Carolyn Fast, Assistant Attorney General
Office of the New York State Attorney General
Internet Bureau
120 Broadway, 3rd Floor
New York, New York 10271
tel. (212) 416-6250
fax. (212) 416-8369

Patricia Conners, Associate Deputy Attorney General
Office of the Florida Attorney General
The Capitol, PL-01
Tallahassee, Florida 32399
tel. (850) 245-0140
fax. (850) 487-2564

To SFS and its principals:

Charles M. Harris Jr.
Trenam Kemker
200 Central Avenue, Suite 1600
St. Petersburg, Florida 33704
tel. (727) 820-3950
fax. (727) 820-3970

91. Nothing in the Assurance shall be construed to prevent any individual from pursuing any right or remedy at law which any consumer may have against SFS or its principals.

92. SFS shall submit to the OAG, on or before March 15, 2008, or such date after March 15, 2008 to which the parties agree, an affidavit, subscribed to by an officer of SFS authorized to bind SFS, setting forth its compliance with the provisions of the Assurance. SFS's principals shall also submit to the OAG, on or before March 15, 2008, affidavits setting forth their compliance with the provisions of the Assurance.

WHEREFORE, the signatures evidencing assent to this agreement have been affixed hereto on the dates set forth below.

ANDREW M. CUOMO
Attorney General of the State of New York

By: Joy Feigenbaum
Joy Feigenbaum
Assistant Attorney General-in-Charge
Bureau of Consumer Frauds & Protection

By: Carolyn Fast
Carolyn Fast
Assistant Attorney General
Internet Bureau

Dated: December 11, 2007

BILL McCOLLUM
Attorney General of the State of Florida

By: Patricia A. Conners
Patricia A. Conners
Associate Deputy Attorney General

By: Michael Palecki / pae
Michael Palecki
Assistant Attorney General

Dated: December 10, 2007

SFS, INC.

By: _____

Dated: December __, 2007

By: _____
Carolyn Fast
Assistant Attorney General
Internet Bureau

Dated: December __, 2007

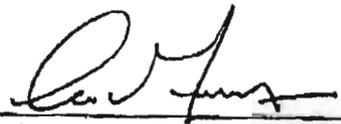
BILL McCOLLUM
Attorney General of the State of Florida

By: _____
Patricia A. Conners
Associate Deputy Attorney General

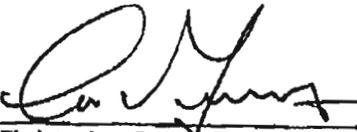
Dated: December __, 2007

By: _____
Michael Palecki
Assistant Attorney General

SFS, INC.

By: 
CHRISTOPHER GURNEY
CHIEF EXECUTIVE OFFICER

Dated: December 10, 2007


Christopher Gurney
Individually and as Chief Executive Officer

Dated: December 10, 2007





Damian Kondrotas
Individually and as Chief Operating Officer

Dated: December 10, 2007



Tim Mooney
Individually and as Chief Financial Officer

Dated: December 10, 2007



Appendix A

Appendix A

Arkansas State University
Auburn University
Ball State University
Bowling Green State University
California State University, Sacramento
California University of Pennsylvania
Central Michigan University
College of William & Mary
Colorado State University
Dowling College
Drexel University
East Carolina University
Florida Atlantic University
Florida State University
Georgetown University
Georgia Institute of Technology
Georgia State University
Howard University
Indiana State University
James Madison University
Marquette University
Mercy College
Northeastern University
Nova Southeastern University
Ohio University
Old Dominion University
Oregon State University
Rutgers University
Saint John's University
Southern Illinois University Carbondale
Tennessee Technological University
Texas Christian University
Tulane University
University of Alabama at Birmingham
University of California, Berkeley
University of California, Los Angeles
University of Central Florida
University of Detroit Mercy
University of Houston
University of Illinois at Chicago
University of Kansas
University of Louisville
University of Maryland – Eastern Shores
University of New Orleans

University of North Alabama
University of North Carolina at Greensboro
University of North Carolina at Wilmington
University of Oregon
University of Pittsburgh
University of South Florida
University of Texas at Arlington
University of Texas at San Antonio
University of Texas El Paso
University of Texas Pan American
University of Washington
University of Wisconsin-Green Bay
University of Wisconsin-Madison
Virginia Commonwealth University
Virginia Polytechnic Institute and State University
Wake Forest University
Wayne State University
Wright State University
Youngstown State University

Appendix B

**Uniform Disclosure Statement
Federal Consolidation Loan**

LENDER NAME AND CONTACT INFO

Prepared for: Jane Anybody
1234 Name Street
Anytown, ST 00000

IMPORTANT: Never consolidate federal loans such as Stafford, PLUS, or Perkins loans with private loans. Consolidation of federal loans with private loans will result in the loss of government interest subsidies and other rights associated with your federal loans.

BASIC INFORMATION ABOUT THE LOAN

ANSWER

What is the principal amount that I must repay? \$ _____

What is the loan's interest rate? _____ %

What is the estimated Annual Percentage Rate (APR)? _____ %

The APR is the total cost of a loan, including the interest rate and any fees, expressed as an annual percentage of the Principal Amount that would be paid for the life of the loan.

What fees must I pay when the loan is disbursed? \$ _____

What will my estimated monthly payment be? \$ _____

What is the total amount I will repay? \$ _____

What is the term of my loan? [____] years]

ADDITIONAL QUESTIONS ABOUT THE LOAN

ANSWER

Is the interest rate fixed or variable? [Fixed or Variable]

*Variable interest rates change over the life of the loan.
As the rate varies, the monthly payment amount changes too.*

What if I have trouble repaying the loan? [See www.lender.com]

Lenders may permit you to defer payments if you are having financial difficulties.

Is there a penalty if I repay the loan early? [Yes or No. If Yes, what is the penalty?]

What are my options for choosing how long to spread out my loan repayment?

Keep in mind that extending the length of your repayment term will increase the total interest paid over the life of the loan. [See www.lender.com]

Will the monthly payments amount change, and if so, when?

Monthly payments may increase if you chose a graduated or other non-standard repayment schedule.

[Ex: Yes, it will increase after two years because you chose a graduated repayment plan]

How is unpaid interest capitalized during periods when I am not paying interest?

The more frequently unpaid interest is capitalized (added to the loan principal), the higher the total cost of your loan. (For example, quarterly capitalization will be more expensive than annual capitalization.)

[Ex: quarterly]

What benefits or rate discounts are offered, and what conditions do I have to meet to obtain those benefits or discounts?

[Ex: 1% interest rate discount after 36 on-time payments]

If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?

[Ex: within 5 days of payment date]

What will happen if I am late with a payment?

[Ex: You lose the 1% interest rate discount]

Will I lose the grace period I have on my current loans if I consolidate?

[Yes or No]

Will my loan be sold to another lender?

If my loan is sold, will the borrower benefits and interest rate discounts be lost?

[Yes or No]

Appendix C

**Uniform Disclosure Statement
Private Consolidation Loan**

LENDER NAME AND CONTACT INFO

Prepared for: Jane Anybody
1234 Name Street
Anytown, ST 00000

IMPORTANT: Never consolidate federal loans such as Stafford, PLUS, or Perkins loans with private or alternative loans. Consolidation of federal loans with private or alternative loans will result in the loss of government interest subsidies and other rights associated with your federal loans.

BASIC INFORMATION ABOUT THE LOAN

ANSWER

What is the principal amount that I must repay? \$ _____

What is the loan's interest rate? _____ %

What is the estimated Annual Percentage Rate (APR)? _____ %
The APR is the total cost of a loan, including the interest rate and any fees, expressed as an annual percentage of the Principal Amount that would be paid for the life of the loan.

What fees must I pay when the loan is disbursed? \$ _____

What will my monthly payment be? \$ _____

What is the estimated total amount I will repay? \$ _____

What is the term of my loan? [_____ years]

ADDITIONAL QUESTIONS ABOUT THE LOAN

ANSWER

Is the interest rate fixed or variable? [Fixed or Variable]
*Variable interest rates change over the life of the loan.
As the rate varies, the monthly payment amount changes too.*

When can the interest rate change? [Example: The interest rate is indexed to the Prime Rate published in the Wall Street Journal and changes monthly]
Variable interest rates are tied to a common market index. As the index goes up and down, your interest rate and monthly payment goes up and down too. The change can occur monthly, quarterly, or annually.

Is there a cap on the interest rate? [Yes or No]

What will my monthly payment be if the interest rate hits its cap? [\$ _____]

What if I have trouble repaying the loan? [See www.lender.com]
Lenders may permit you to defer payments if you are having financial difficulties.

Is there a penalty if I repay the loan early? [Yes or No. If Yes, what is the penalty?]

What are my options for choosing how long to spread out my loan repayment?
Keep in mind that extending the length of your repayment term will increase the total interest paid over the life of the loan. [See www.lender.com]

How is unpaid interest capitalized during periods when I am not paying interest? [Ex: quarterly, annually]
The more frequently unpaid interest is capitalized (added to the loan principal), the higher the total cost of your loan. (For example, quarterly capitalization will be more expensive than annual capitalization).

What benefits or rate discounts are offered, and what conditions do I have to meet to obtain those benefits or discounts? [Ex: 1% interest reduction after 24 on-time payments]

If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined? [Ex: within 5 days of payment date]

What will happen if I am late with a payment? [Example: You lose 1% interest rate reduction]

Will I lose the grace period I have on my current loans if I consolidate? [Yes or No]

Will my loan be sold to another lender? [Yes or No]

If my loan is sold, will the borrower benefits and interest rate discounts be lost? [Yes or No]

Appendix D

**Uniform Disclosure Statement
Stafford Loan**

LENDER NAME AND CONTACT INFO

Prepared for: Jane Anybody
1234 Name Street
Anytown, ST 00000

IMPORTANT: Federal loans are lower cost than private or alternative loans. Be sure to exhaust all of your federal borrowing options before turning to more expensive private or alternative loans.

BASIC INFORMATION ABOUT THE LOAN

ANSWER

What is the principal amount that I must repay? \$ _____

What is the loan's interest rate? _____%

What is the Annual Percentage Rate (APR)? _____%
The APR is the total cost of a loan, including the interest rate and any fees, expressed as an annual percentage of the Principal Amount that would be paid for the life of the loan.

What fees must I pay when the loan is disbursed? \$ _____

What will my estimated monthly payment be? \$ _____

What is the total amount I will repay? \$ _____

What is the term of my loan? [__] years]

ADDITIONAL QUESTIONS ABOUT THE LOAN

ANSWER

Is the interest rate fixed or variable? [Fixed or Variable]
Variable interest rates change over the life of the loan. As the rate varies, the monthly payment amount changes too.

What if I have trouble repaying the loan? [See www.lender.com]

Is there a penalty if I repay the loan early? [Yes or No. If Yes, what is the penalty?]

What are my options for choosing how long to spread out my loan repayment?
Keep in mind that extending the length of your repayment term will increase the total interest paid over the life of the loan. [See www.lender.com]

How is unpaid interest capitalized during periods when I am not paying interest? [Ex. quarterly, annually]
The more frequently unpaid interest is capitalized (added to the loan principal), the higher the total cost of your loan. (For example, quarterly capitalization will be more expensive than annual capitalization).

What benefits or rate discounts are offered, and what conditions do I have to meet to obtain the benefits?
[Example: 1% interest rate reduction after 24 on-time payments]

If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?
[Ex. within 5 days of payment date]

What will happen if I am late with a payment? [Example: You lose 1% interest rate reduction]

Will my loan be sold to another lender? [Yes or No]

If my loan is sold, will the borrower benefits and interest rate discounts be lost? [Yes or No]

Appendix E

**Uniform Disclosure Statement
PLUS Loan**

LENDER NAME AND CONTACT INFO

Prepared for: Jane Anybody
1234 Name Street
Anytown, ST 00000

IMPORTANT: Federal loans are lower cost than private or alternative loans. Be sure to exhaust all of your federal borrowing options before turning to more expensive private or alternative loans.

BASIC INFORMATION ABOUT THE LOAN

ANSWER

What is the principal amount that I must repay? \$ _____

What is the loan's interest rate? _____ %

What is the Annual Percentage Rate (APR)? _____ %
The APR is the total cost of a loan, including the interest rate and any fees, expressed as an annual percentage of the Principal Amount that would be paid for the life of the loan.

What fees must I pay when the loan is disbursed? \$ _____

What will my estimated monthly payment be? \$ _____

What is the total amount I will repay? \$ _____

What is the term of my loan? [_] years]

ADDITIONAL QUESTIONS ABOUT THE LOAN

ANSWER

Is the interest rate fixed or variable? [Fixed or Variable]
Variable interest rates change over the life of the loan. As the rate varies, the monthly payment amount changes too.

What if I have trouble repaying the loan? [See www.lender.com]

Is there a penalty if I repay the loan early? [Yes or No. If Yes, what is the penalty?]

What are my options for choosing how long to spread out my loan repayment?
Keep in mind that extending the length of your repayment term will increase the total interest paid over the life of the loan. [See www.lender.com]

How is unpaid interest capitalized during periods when I am not paying interest? [Ex. quarterly, annually]
The more frequently unpaid interest is capitalized (added to the loan principal), the higher the total cost of your loan. (For example, quarterly capitalization will be more expensive than annual capitalization).

What benefits or rate discounts are offered, and what conditions do I have to meet to obtain the benefits?
[Example: 1% interest rate reduction after 24 on-time payments]

If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?
[Ex. within 5 days of payment date]

What will happen if I am late with a payment? [Example: You lose 1% interest rate reduction]

Will my loan be sold to another lender? [Yes or No]

If my loan is sold, will the borrower benefits and interest rate discounts be lost? [Yes or No]

Appendix F

**Uniform Disclosure Statement
Private Loan**

LENDER NAME AND CONTACT INFO

Prepared for: Jane Anybody
1234 Name Street
Anytown, ST 00000

IMPORTANT: You may qualify for federal loans such as Perkins, Stafford, or PLUS loans. Federal loans are low-cost student loans at fixed interest rates. All students, regardless of income, are eligible for Stafford Loans. To apply for federal loans, speak to your school's financial aid office or visit <http://fafsa.ed.gov>.

BASIC INFORMATION ABOUT THE LOAN

ANSWER

What is the principal amount that I must repay?

\$ _____

What is the loan's interest rate?

_____ %

What is the Annual Percentage Rate (APR)?

_____ %

The APR is the total cost of a loan, including the interest rate and any fees, expressed as an annual percentage of the Principal Amount that would be paid for the life of the loan.

What fees must I pay when the loan is disbursed?

\$ _____

What will my estimated monthly payment be?

\$ _____

What is the estimated total amount I will repay?

\$ _____

ADDITIONAL QUESTIONS ABOUT THE LOAN

ANSWER

Is the interest rate fixed or variable?

[Fixed or Variable]

Variable interest rates change over the life of the loan. As the rate varies, the monthly payment amount changes too.

When can the interest rate change?

Variable interest rates are tied to a common market index. As the index goes up and down, your interest rate and monthly payment goes up and down too. The change can occur monthly, quarterly, or annually.

[Example: The interest rate is indexed to the Prime Rate published in the Wall Street Journal and changes monthly]

Is there a cap on the interest rate?

[Yes or No]

What will my monthly payment be if the interest rate hits its cap?

[\$ ____]

What if I have trouble repaying the loan?

Lenders may permit you to defer payments if you are having financial difficulties.

[See www.lender.com]

Is there a penalty if I repay the loan early?

[Yes or No. If Yes, what is the penalty?]

What are my options for choosing how long to spread out my loan repayment?

Keep in mind that extending the length of your repayment term will increase the total interest paid over the life of the loan.

[See www.lender.com]

How is unpaid interest capitalized during periods when I am not paying interest?

The more frequently unpaid interest is capitalized (added to the loan principal), the higher the total cost of your loan. (For example, quarterly capitalization will be more expensive than annual capitalization).

[Ex. quarterly, annually]

What benefits or rate discounts are offered, and what conditions do I have to meet to obtain the benefits?

[Example: 1% interest rate reduction after 24 on-time payments]

If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?

[Ex. within 5 days of payment date]

What will happen if I am late with a payment?

[Ex: You lose 1% interest rate reduction]

Will my loan be sold to another lender?

[Yes or No]

If my loan is sold, will the borrower benefits and interest rate discounts be lost?

[Yes or No]

Appendix G

IMPORTANT NOTICE ABOUT STUDENT LOANS

PURSUANT TO AN AGREEMENT WITH THE NEW YORK STATE ATTORNEY GENERAL'S OFFICE, STUDENT FINANCIAL SERVICES, INC., DOING BUSINESS AS UNIVERSITY FINANCIAL SERVICES, IS PLEASED TO ANNOUNCE THAT IT HAS ADOPTED THE NEW YORK ATTORNEY GENERAL'S NEW CODE OF CONDUCT FOR DIRECT MARKETING OF STUDENT LOANS.

THE CODE OF CONDUCT GIVES STUDENTS IMPORTANT PROTECTIONS WHEN THEY SHOP FOR STUDENT LOANS DIRECTLY FROM MARKETERS AND LENDERS. HERE ARE SOME WAYS THAT YOU CAN PROTECT YOURSELF WHEN SHOPPING FOR STUDENT LOANS:

1. Make sure to consider all of your federal loan borrowing options before turning to more expensive private loans.
2. Don't be fooled by mailings from marketers or lenders that are designed to look like they come from the federal government.
3. Don't be enticed to take out loans from marketers and lenders who offer you prizes or sweepstakes. These incentives could distract you from learning the key terms of the loans these marketers and lenders are offering.
4. Beware of "teaser" or introductory interest rates; find out the actual interest rate and whether that rate will change.
5. Make sure a lender answers the following questions before you take out a loan:
 - a. What will **my** interest rate be? Lenders often advertise their "as low as" rates, but that may not be the rate you will get.
 - b. Will the interest rate change? If it will change, is there a cap on the interest rate?
 - c. What fees must I pay when the loan is disbursed?
 - d. What is the Annual Percentage Rate (APR)?
 - e. What will my estimated monthly payment be?
 - f. What is the total amount I will have to repay?
 - g. Is there a penalty if I repay the loan early?
 - h. Can I defer payments when I am in school, or if I am having financial difficulties?
 - i. How is unpaid interest capitalized (that is, added to the principal amount of the loan) during periods when I am not paying interest?
 - j. What benefits or rate discounts are offered, and what conditions do I have to meet to obtain the benefits?
 - k. If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?
 - l. What will happen if I am late with a payment?
 - m. Will my loan be sold to another lender?
 - n. If my loan is sold, will the borrower benefits and interest rate discounts be lost?

Appendix H

IMPORTANT NOTICE ABOUT STUDENT LOANS

PURSUANT TO AN AGREEMENT WITH THE NEW YORK STATE ATTORNEY GENERAL'S OFFICE AND THE FLORIDA ATTORNEY GENERAL'S OFFICE, STUDENT FINANCIAL SERVICES, INC., DOING BUSINESS AS UNIVERSITY FINANCIAL SERVICES, IS PLEASED TO ANNOUNCE THAT IT HAS ADOPTED A NEW CODE OF CONDUCT FOR DIRECT MARKETING OF STUDENT LOANS.

THE CODE OF CONDUCT GIVES STUDENTS IMPORTANT PROTECTIONS WHEN THEY SHOP FOR STUDENT LOANS DIRECTLY FROM MARKETERS AND LENDERS. HERE ARE SOME WAYS THAT YOU CAN PROTECT YOURSELF WHEN SHOPPING FOR STUDENT LOANS:

1. Make sure to consider all of your federal loan borrowing options before turning to more expensive private loans.
2. Don't be fooled by mailings from marketers or lenders that are designed to look like they come from the federal government.
3. Don't be enticed to take out loans from marketers and lenders who offer you prizes or sweepstakes. These incentives could distract you from learning the key terms of the loans these marketers and lenders are offering.
4. Beware of "teaser" or introductory interest rates; find out the actual interest rate and whether that rate will change.
5. Make sure a lender answers the following questions before you take out a loan:
 - a. What will **my** interest rate be? Lenders often advertise their "as low as" rates, but that may not be the rate you will get.
 - b. Will the interest rate change? If it will change, is there a cap on the interest rate?
 - c. What fees must I pay when the loan is disbursed?
 - d. What is the Annual Percentage Rate (APR)?
 - e. What will my estimated monthly payment be?
 - f. What is the total amount I will have to repay?
 - g. Is there a penalty if I repay the loan early?
 - h. Can I defer payments when I am in school, or if I am having financial difficulties?
 - i. How is unpaid interest capitalized (that is, added to the principal amount of the loan) during periods when I am not paying interest?
 - j. What benefits or rate discounts are offered, and what conditions do I have to meet to obtain the benefits?
 - k. If benefits are offered based on a certain number of "on-time" payments, how is "on-time" defined?
 - l. What will happen if I am late with a payment?
 - m. Will my loan be sold to another lender?
 - n. If my loan is sold, will the borrower benefits and interest rate discounts be lost?