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# California Faculty Association

300 Capitol Mall, Suite 1590 · Sacramento, CA 95814 · (916) 441-4848 · FAX (916) 441-3513

June 26, 2007

The Honorable Jerry Brown  
California Attorney General  
1300 I Street, Suite 1740  
Sacramento, CA 95814

Dear Attorney General Brown,

On behalf of the California Faculty Association, I wish to commend you for taking action in the ever-widening national student loan scandal. By joining with 31 other attorneys general from across the country in urging Congress to enact new restrictions on the student loan industry, you have taken an important step to rectify this growing crisis. However, I hope you will not stop there.

The investigation initiated by New York Attorney General Andrew Cuomo reveals widespread abuse of student borrowers. Furthermore, an investigative report issued last week by Senator Edward Kennedy, Chair of the Senate Health, Education, Labor and Pensions Committee, detailed countless examples of ethical indiscretions and possible criminal acts on the part of financial aid providers and college administrators across the nation.

Included in the supporting documentation accompanying this report was evidence suggesting that officials at CSU Los Angeles, CSU Fullerton, CSU San Bernardino and CSU Monterey Bay improperly received custom printing projects and promotional materials from lender J.P. Morgan (Exhibit 10). Given the size and importance of the 23-campus California State University system, further investigation is needed to establish not only the propriety of these examples at these four campuses, but also to establish that other serious abuses such as have occurred across the U.S. are not taking place in the CSU.

As a CSU Los Angeles faculty member, as well as the president of the California Faculty Association, a union representing the more than 23,000 faculty members in the California State University, I believe that steps must be taken to guarantee that our students and their families can trust our state university system.

As student fees rise sharply (undergraduate fees are up 94 percent in the CSU system since 2002), our students feel heavy pressure to find the resources to remain in school. This makes them strongly susceptible to fraud and malfeasance by loan providers and administrators who purport to be helping them find ways to meet the increasing financial burden of public higher education.



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On behalf of all CSU faculty members, I urge you to take steps to protect the 410,000 students currently enrolled in the CSU as well as millions of future students, including:

1) Open an investigation into possible criminal and ethical violations on the part of higher education institutions and financial aid lenders in our state. The inquiries initiated by Cuomo and Kennedy suggest that we are seeing just the tip of the iceberg of a scandal that pervades California's and our nation's universities.

We urge you to dig deep to determine the full extent of this problem in California. How many campuses and students have been affected? How serious are the lapses? Students who rely on administrators to look out for their best interests have been betrayed. The Department of Justice must take up the mantle to uncover the depth of this scandal and determine remedies.

2) Create a mandatory financial aid code of conduct similar to that adopted by lenders and universities in New York and Maryland. By requiring institutions to comply with such a document, your office could help to ensure that the rights of students are protected across all levels of higher education in our state.

3) Require the repayment of all "kick backs" received by campus administrators, if it is determined that improper inducements were received. In New York checks have already been cut to repay students tens of millions of dollars improperly paid to schools. By mandating this type of repayment you could ensure that any money improperly collected by lenders or university administrators ends up back where it belongs – in the wallets of California's working and middle class families.

4) Continue to support the passage of legislation on the state and federal levels that protects the rights of students to transparency and fairness in obtaining student loans.

5) Publish a complete list of California's higher education institutions that have received illegal payments or improper inducements. Resources should also be made available to students at those institutions to help them seek the available remedies.

We thank you in advance for your attention to this critical issue, and your work to ensure these reprehensible financial practices have no place in California's colleges and universities. Should you have any questions, or if the California Faculty Association can be of any assistance in this matter, please don't hesitate to call on us.

Sincerely,  
Lillian Taiz  
President, California Faculty Association

CC: CSU Board of Trustees