



United States Student Association

September 18, 2006

Consumer Complaint Bureau
U.S. Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Dear FTC:

We are writing to urge you to take action to stop false and deceptive advertising practices by a private student loan company, and to ask that you undertake an effort to ensure that other companies are not engaged in similar practices.

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Our complaint is with respect to a company doing business as “Loan to Learn,” a division of EduCap, Inc. Educap identifies itself as a “not-for-profit organization”.

Materials provided by Loan to Learn to potential customers make numerous false and deceptive claims, apparently designed to discourage customers from applying for Federal grant and loan aid, and to make the company’s loans appear to be a preferable alternative. The company aggressively distributes a publication entitled “Demystifying Financial Aid,” which includes the following false and deceptive claims:

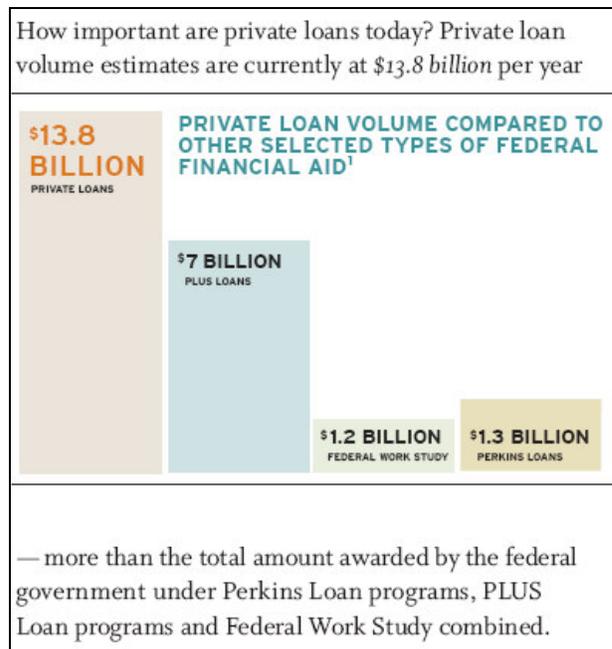
1. “[M]ost government loans are need-based” (page 4). **This assertion is false.** All college students are eligible for federally-backed loans, regardless of need.
2. Private loans “[c]an be used for any education-related expense, including those not covered by most federal aid (computers, books, transportation)” (page 7; a similar statement is made on page 6). **This is false.** All of the federal financial aid offered by the U.S. Department of Education can be used for computers, books, and transportation as well as other costs related to college. Some IRS tax credits and deductions apply only to tuition and required fees.
3. “Subsidized federal student loans ... have a lengthy application process with strict deadlines” (page 15). **This is false.** There are no deadlines; in fact, a student can take out a federal loan at the end of the school year to pay for expenses incurred during that school year.



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4. “However, a private scholarship *will* reduce your need for federal aid” (p. 15). **This is false.** Private scholarships do not reduce federal Pell Grant awards, and only reduce federal loans in certain circumstances.

5. The chart below appears on page 5 of the guide:



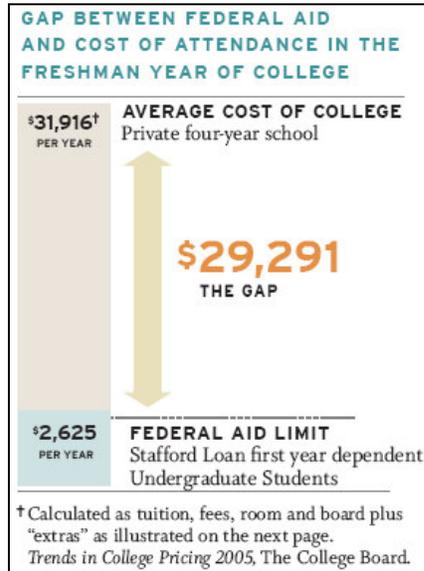
The chart is deceptive. The chart is designed to make it appear that taking out private loans for college is not only *common* but the *dominant* practice for American families. This is false: private student loans are growing, but are neither common nor dominant. This would have been clear if Loan to Learn had not omitted the federal Stafford Loan program from the chart. The Stafford program amounted to \$60 [ck] billion in loans in 2004, *five times* the volume of private loans. Without the Stafford loan levels the chart and assertion are misleading, a distortion not cured by referring to “selected types of federal aid.”

6. Private loans carry “[m]ore flexible terms.” **This is false.** The federal loan programs provide for deferments and forbearance for many exigencies, flexibility not generally provided by private loans.



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7. The chart below appears on page 26 of the publication:



The chart is deceptive in several ways. It identifies a "FEDERAL AID LIMIT" of \$2,625. There is no such federal aid limit. The \$2,625 figure is the first-year limit on Stafford loans for dependent students. But students, even in the first year, can take out federal PLUS (parent) loans, and may be eligible for Pell Grants or other federal aid. Students may also receive aid from the institution, state, and other sources.

Furthermore, it is misleading to title the chart as the "COST OF ATTENDANCE IN THE FRESHMAN YEAR OF COLLEGE." Most students attend public universities with lower costs, but the chart uses only the figures for private colleges.

EduCap, Inc., dba Loan to Learn, is actively discouraging families from applying for valuable financial aid options (see www.loantolearn.com). With prominent advertisements on the *U.S. News* college guide site, the company is aggressively encouraging students and parents to take out high-interest private loans of up to \$50,000 per year. The company's false and deceptive practices need to be stopped immediately, before any more families are victimized.

Thank you for your prompt attention to this complaint.

Sincerely,

Jennifer Pae
President of the United States Student Association