

THE UNIVERSITY OF TEXAS SYSTEM

601 Colorado Street
Austin, Texas 78701

MEMORANDUM

DATE: July 31, 2007

TO: Presidents, Chief Business Officers, Chief Legal Officers and Vice-Presidents for Student Affairs

FROM: Mark G. Yudof, Chancellor
Barry D. Burgdorf, Vice Chancellor and General Counsel

CC: Kenneth I. Shine, Executive Vice Chancellor for Health Affairs
David B. Prior, Executive Vice Chancellor for Academic Affairs
Amy Shaw Thomas, Associate Vice Chancellor and Counsel for Health Affairs
Jim Studer, Associate Vice Chancellor for Student Affairs
Anthony de Bruyn, Director of Public Affairs

SUBJECT: New Procedures for Operation of Offices of Student Financial Aid

As you all are no doubt aware, issues related to the structure and operation of the student loan industry nationwide continue to influence political debate and make headlines. I hope by now each of you have had the opportunity to read our "*Special Investigative Report Regarding Allegations of Impropriety at The University of Texas at Austin Office of Student Financial Services and by its Director, Dr. Lawrence W. Burt*" (the Report), which details the operation of that office and, in particular, its relations with student lenders. The Report concludes with recommendations for improving the operation of the U. T. Austin Office of Student Financial Services and curing any real and apparent conflicts created by past practices.

Subsequent to issuance of the Report, U. T. System and U. T. Austin negotiated with the State of Texas Office of Attorney General the "Texas Higher Education Fair Lending Practices Agreement" (the Agreement), which codifies and specifies the general recommendations of the Report. U. T. Austin is in the process of implementing the Agreement, which is attached to this communication.

Also, in the wake of the Report, the U. T. System Office of General Counsel has conducted a high-level review of the practices and procedures of student financial aid offices at all System institutions. Some of you have been more or less involved in that review. While not a detailed review of each campus financial aid office like the investigation of U. T. Austin's Office of Student Financial Services, the review has confirmed the existence of attempts by student lenders to influence university offices of financial aid, including in some instances the provision of lunch, dinner, etc. by student lenders, and travel reimbursement for attending advisory board meetings.

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The evidence also suggests that your campuses have already stopped or curtailed these practices where they occurred.

However, now is the time to formally commit to a new code of conduct for all U. T. System campuses. It is likely that all universities in Texas will soon be asked to sign up to the Agreement and federal legislation may soon mandate much of what the Agreement covers. Therefore, to exhibit leadership on these issues and prepare for the time when the rules embedded in the Agreement will be mandatory, we want all U. T. System institutions to voluntarily begin living by the Agreement. Accordingly, we request that you immediately ask your staff to begin putting in place campus policies and procedures to implement the Agreement and be in full compliance with it by the end of September 2007.

We believe the Agreement is reasonable and necessary in light of today's student lending environment. We must continue the process of restoring trust in our offices of student financial services so they can fully serve the needs of our students. Rather than attempt to work through the principal terms of the Agreement in this communication, we simply ask that you direct all questions on implementation to Barry Burgdorf and his staff. Please report to the Office of the Chancellor your successful implementation of the Agreement on or before September 30, 2007.

MGY
BDB

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Attachment