Private Loan Partnerships: Legal Risks and Compliance for Institutions

Given recent changes to borrowing limits set by the *One Big Beautiful Bill Act* (*OBBBA*),[1] private lenders have become even more relevant in the student loan marketplace. Beginning July 1, 2026, professional students (law students, medical students, etc.) are limited to $50,000 annually in Federal student loans, and graduate students are limited to $20,500 per year. These limits will cause many students to turn to the private loan market to meet the full cost of law school tuition, making it more important than ever for lenders and institutions to clearly communicate how they can financially support student borrowers. However, both parties must ensure that they are complying with all relevant federal laws and regulations when entering into partnerships and otherwise promoting private loan products on campus.

Many lenders have strengthened partnerships with financial aid offices through preferred lender arrangements and educational programs to meet this upcoming need. Other lenders are engaging students directly by offering paid internships or "ambassadorships" where students promote private lenders and share available loan options with their peers.

Key Takeaways

- Institutions and lenders must follow federal preferred lender rules regarding disclosure and reporting requirements related to education loans.
- Other federal laws also apply to schools, lenders, and third-party servicers promoting private lenders and loan products.
- Students promoting a lender's loan product while employed by the lender or another third party could be viewed as an "agent" of the school.
- Even if schools do not directly hire students, their actions could make the promotion appear school-connected, thus triggering legal obligations.
- Schools have affirmative duties under the law to ensure that no misleading information is conveyed, avoid bias or steering, and disclose relationships clearly.
- Schools should limit or carefully control on-campus solicitation and address conflicts involving students who hold institutional roles, such as financial aid workers, peer advisors, or resident assistants.

Preferred Lender Arrangements

Preferred Lender Arrangements (PLAs) refer to formal partnerships between a university and private lenders where the institution recommends or endorses the lenders' loan products. Preferred Lender Lists (PLLs) are the physical or digital roster of those lenders under the PLA. In exchange, borrowers at these institutions receive benefits like institutionally vetted loans, better loan terms, streamlined processes, or other perks while the lender receives a marketing advantage.

1 *One Big Beautiful Bill Act*, H.R.1, 119th Congress (2025), https://www.congress.gov/bill/119th-congress/house-bill/1/text.

Institutions and any institution-affiliated organization (e.g., alumni groups or foundations) promoting any lender through a PLL must follow the federal regulations outlined in the Code of Federal Regulations, which establish disclosure and reporting requirements relating to education loans.[2] For example, schools must include at least three unaffiliated lenders, explain selection criteria, and regularly update their list to reflect current terms and conditions. PLLs must also clearly state that students are not limited to the lender recommendations provided by the school. These safeguards ensure PLLs serve as a transparent, student-centered resource rather than an endorsement of any particular financial institution.

Lenders that participate in PLAs are also subject to similar federal requirements, which intend to prevent conflicts of interest and improve transparency for borrowers. In practice, these rules restrict revenue-sharing arrangements with institutions, prohibit lenders from offering gifts or other inducements to school officials, and bar lenders from staffing a school's financial aid office or advisory functions in ways that could influence borrower choice.[3] Together, these requirements ensure that all PLAs serve students' interests rather than the financial interests of lenders.

Private Loan Ambassadors

In the case of interns or ambassadors hired by private lenders, federal regulations require that lenders annually report to the Department of Education (ED) any expenses they cover for any financial aid office staff or others involved in student loans administration, when those staff serve on lenders' advisory board or similar groups promoting the lender.[4] By employing students instead, lenders can avoid these reporting requirements while still maintaining a presence on campus who is marketing their product.

It is important to note that if a private lender is on a PLL or has any kind of arrangement with the school and that lender or product is being promoted by a student, then the school has affirmative duties under the law to ensure that no misleading information is conveyed about the loans, avoid biased or steering conduct, and disclose relationships clearly. Students working for private lenders could undermine these duties if they push one lender while omitting alternatives or if they misrepresent the terms of the loan. Student interns or ambassadors for private lenders are not a neutral source of financial advice as they are paid to promote specific loan products. While they may present themselves as peers offering helpful insight and guidance, the information they share may be selective and may emphasize benefits over risks.

If the lender is on the school's preferred lender list, the student promoting the lender's loan product could be viewed as an "agent" of the school and their promotion could be seen as an endorsement by the school.

2 34 C.F.R. § 601.10 (2026).
3 *Id.*
4 34 C.F.R. § 601.40 (2026).

Other Legal Issues

In addition to federal regulations related to PLAs, schools must also comply with laws and regulations that govern marketing of private loans and potential misrepresentation by lenders and other third-party servicers.

Truth in Lending Act

Under the *Truth in Lending Act* (*TILA*) and its implementing Regulation Z, marketing of private student loans is treated as regulated credit advertising. Lenders (and those acting on their behalf) must ensure that any solicitation or promotional activity is **accurate and includes required disclosures** about rates, fees, and loan terms.

When students promote loans on campus, their statements can in effect become part of the lender's advertising.[5] If those communications omit required information or are misleading, they may violate *TILA*.[6] While legal requirements apply primarily to lenders, institutions can be implicated if the activity is viewed as being conducted by an institutional "agent" or if the institution itself is seen as providing or facilitating the relevant loan information.[7]

Federal Trade Commission Act

The Federal Trade Commission *(FTC)* Act **prohibits unfair or deceptive acts or practices in marketing**. Under FTC endorsement and advertising principles, a student promoting a lender or loan product is treated as an "endorser," and their statements must be truthful, substantiated, and clearly disclose any financial relationship with the lender.[8] Notably, FTC enforcement is not limited to the lender or the individual student: liability can extend to multiple parties, including organizations that facilitate or disseminate misleading marketing.[9]

Misrepresentation

ED regulations related to misrepresentation, which **prohibit false**, **misleading**, **or deceptive statements**, are modeled after FTC Act Section 5 and apply specifically to Title IV institutions. Notably, these regulations do not just apply to lenders that hire students to promote loans on campus; **they apply to any third-party service providers**.

For institutions, the key risk is not whether they directly hired the student, but whether their actions make the promotion appear school-connected.[10] If a student's marketing occurs on campus, uses institutional channels, or creates the impression of implied school endorsement,[11] regulators may

5 16 C.F.R. § 255.0(b) (2026).
6 15 U.S.C. § 1638(e); 12 C.F.R. §§ 1026.46-.48 (2026).
7 34 C.F.R. § 668.71(b)-(c) (2026).
8 16 C.F.R. §§ 255.0(b), 255.5 (2026).
9 16 C.F.R. § 255.1(d) (2026).
10 34 C.F.R. § 668.71(c) (2026).
11 For example, if the lender is on the school's PLL, student promoters could be viewed as agents or persons acting on behalf of the institution.

view the institution as participating in or enabling the advertising. In those circumstances, misleading statements or inadequate disclosures by the student could potentially be attributed to the institution. Under ED guidance, institutions may be held responsible for misrepresentations when they are made by parties that the institution has engaged, or where the institution has allowed or facilitated the misrepresentation.[12]

The key risk is not whether a school directly hired the student, but whether their actions make the promotion appear school-connected.

Institutional Considerations

Schools may be implicated when student-led promotion is reasonably perceived as affiliated with the school, when institutional channels or relationships are used, or when the institution does not take steps to prevent misleading or conflicting loan promotion on campus. Institutions can reduce legal exposure by maintaining clear separation between the school and any third-party marketing conducted by students.

First, schools should ensure that **such activity is not reasonably perceived as endorsed by the school**. For example, schools should prohibit the use of institutional branding, email systems, or official platforms in connection with promotion and avoid cosponsoring or facilitating lender-related events involving student marketers. Where student activity occurs, it should be clearly independent, with no implication that the institution recommends or supports the lender or other third party. Separation helps prevent student communications from being treated as institutional statements or as part of a regulated credit advertising channel attributable to the school.

Institutions should also limit or carefully control on-campus solicitation and **address conflicts involving students who hold institutional roles**, such as financial aid workers, peer advisors, or resident assistants. Doing so may reduce the risk that a student will be viewed as an "agent" of the institution, which could cause their statements to trigger institutional disclosure obligations or create liability for misleading communications.

Any permitted interactions should **include clear disclosure that the student is being compensated by a lender or other third party**. Codes of conduct and campus policies should also prohibit incentive-based arrangements, such as paying students per application or loan, because these can create the appearance of "steering" and potentially increase the likelihood of deceptive or inaccurate messaging.

12 U.S. Department of Education. *Notice of Interpretation Regarding Misrepresentations by ThirdParty Service Providers Engaged by an Institution of Higher Education*. Federal Student Aid Knowledge Center, Jan. 16, 2025, https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2025-01-16/notice-interpretation-regarding-misrepresentations-third-party-service-providers-engaged-institution-higher-education.

Finally, institutions should **implement reasonable oversight mechanisms**. This may include monitoring complaints or reports of misleading promotion and taking corrective action when necessary. Because institutions can be held responsible for facilitating or failing to prevent deceptive practices on campus, demonstrating active oversight and implementing clear guardrails is critical. Taken together, these measures can help create an environment in which private loan marketing remains external to the institution and reduce the likelihood that the school will be viewed as participating in or enabling noncompliant advertising under PLA regulations, *TILA*, the *FTC Act*, or ED misrepresentation regulations.

Deep Dive: Potential Scenarios

In the context of the legal requirements outlined above, it may be helpful to think through potential situations schools may encounter in the coming years since private lenders and other third-party servicers will play a larger role in graduate and professional student borrowing.

1. ***Lender and Third-Party Partnerships***

   While lenders may hire students directly to market their loan products, which would trigger PLA regulations and other laws mentioned above, there may also be cases where lenders instead partner with third parties to promote their loans. In this scenario, a third party may hire the student to be their on-campus representative promoting their services (e.g., processing loan applications) rather than a specific loan or lender. However, the partnership between the lender and third party is such that loan applications are funneled solely or primarily to the lender with which the entity has a preferred relationship or partnership.

   This raises questions about whether the third party is an “agent” of the lender, which could implicate FTC requirements and ED misrepresentation regulations if any misleading or inaccurate statements are made by students employed by the third party. This again increases potential legal risk to schools if they are, in turn, viewed as facilitating such promotion or marketing that runs afoul of federal law. Schools should perform due diligence in a scenario such as this before allowing student marketing on campus to mitigate legal exposure.

2. ***PLLs and Third Parties***

   Adding to the previous example, if a school has a PLL with three lenders on it and the third party has a preferred relationship with those lenders, PLA regulations would apply. While lenders themselves are not promoting their products on campus, the third party is sending applications only to those three lenders. This may also cause confusion for students if they see different loan terms through the school’s relationship with the lender and the third party’s relationship. This would contradict the intent of PLAs and PLLs: to create transparency for students and avoid endorsing particular lenders at the exclusion of others.

Additionally, as outlined earlier, if a private lender is on a PLL or has any kind of arrangement with the school and that lender or product is being promoted by a student or any other "agent," then the school has affirmative duties under the law to ensure that no misleading information is conveyed about the loans, avoid biased or steering conduct, and disclose relationships clearly.

3. ***School Approval of Marketing***

   Finally, some schools may explicitly allow students employed by lenders or third parties to promote their loan products and services on campus in an effort to get as much information as possible to students about private loans in the wake of new federal student loan limits. While that is understandable, schools must be aware of any potential legal pitfalls, as described in detail above.

   PLAs apply directly to schools and lenders, but introducing other players, such as student ambassadors or other third-party service providers, creates a grey area that may make PLA regulations and other laws applicable, but in a less obvious way. Schools must be mindful of this before allowing any promotion or marketing of student loan products and services on campus.

These risks underscore the significant role schools, particularly financial aid offices, play in ensuring students have access to clear, accurate, and unbiased information about their borrowing options. Lenders or other third parties employing students to represent them on campus may give them a way to influence students outside of formal partnerships that are subject to federal oversight and reporting requirements. As a result, there is risk that students may confuse peer advertising with institutional guidance. Schools should be aware of these dynamics and consider proactive steps, such as limiting or closely monitoring their presence on campus and reinforcing accessible, unbiased financial aid information, to help students make informed borrowing decisions and mitigate confusion or potential legal and reputational risk.

Disclaimer: *The information provided by AccessLex Institute® in this brief is for general informational purposes only and is not intended to be legal advice. Always seek the guidance of your institution's Office of General Counsel or other legal representatives with any questions you may have regarding your specific circumstances.*