

STUDENT LENDING ANALYTICS

SASFAA Annual Conference Lender Lists: What You Need to Know Now

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STUDENT LENDING ANALYTICS

SASFAA Conference Lender Lists: What You Need to Know Now

- Having a lender list for your students still matters
 - Students looking for experts to help them
 - All lenders are not created equal
- Overall, market conditions remain challenging
 - Multiple government programs propping up FFELP
 - Availability of private loans has narrowed considerably
- HEOA creates new requirements for lender lists
 - The process matters
- Important criteria to consider in your process
 - Customer service
 - Financial strength
- List management requires ongoing vigilance

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SASFAA Conference Having a Lender List Matters

- GMAC Bank, NextStudent, Xanthus Financial Services, EduCap, Graduate Loan Associates
 - Recently settled probe into "deceptive marketing practices"
- Google "private student loans" and find over 900,000 results
- First page of search results
 - Alternativestudentloan.com
 - No Fafsa, instant decisions online, \$40,000/year, Funds Direct to You
 - Estudentloan.com
 - Studentfinancialgroup.com
 - Quick application. Quick response. The Quick-To-Learn loan
 - Collegeloanstoday.com
 - Fast and Easy Approval, Up to \$40,000 per year.
- Other popular reference sites list hundreds of lenders
- Headline anxiety leads to search for experts

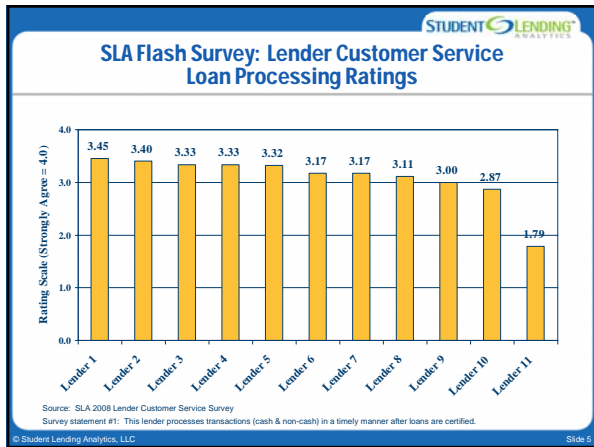
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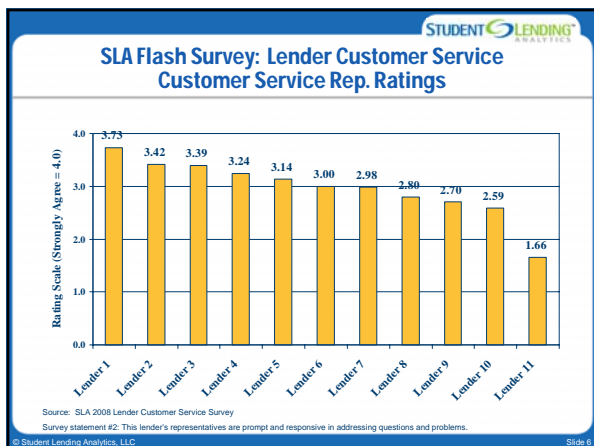
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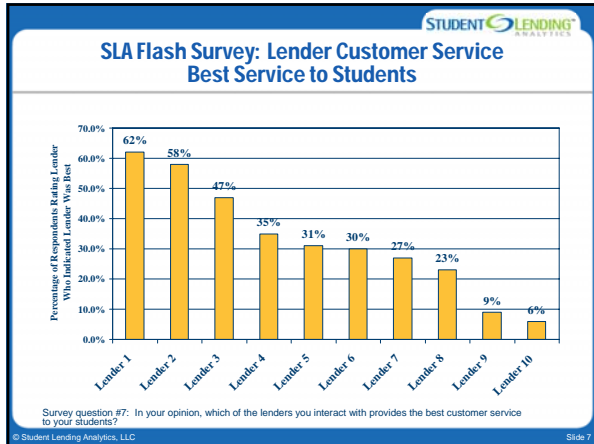
SASFAA Annual Conference Choosing Best Lenders Matters MORE not Less

- To students, lender performance seen as extension of financial aid office
 - Student satisfaction survey comments link financial aid office directly with lenders
- Departure of lenders has wide-ranging impact on operations
 - Communicate change directly to affected students and parents
 - Serial borrowers need help selecting new lender and sign new promissory notes
 - Change all marketing collateral with lender list printed on it
 - Change on-line lender list
 - Front-line team members stressed by volume of calls
 - Business office must be notified that payments may be delayed
- Even with diminished set of lenders, recognize that all lenders are NOT the same

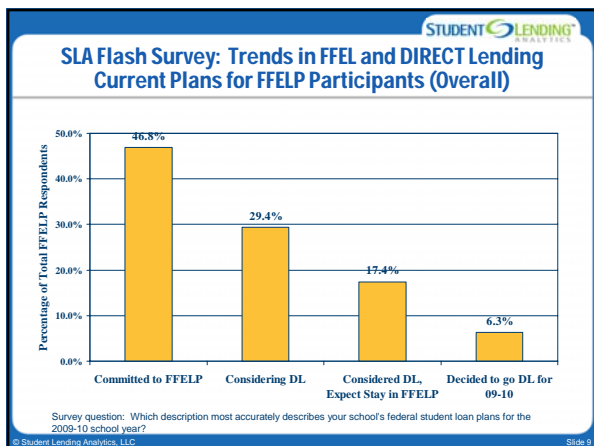
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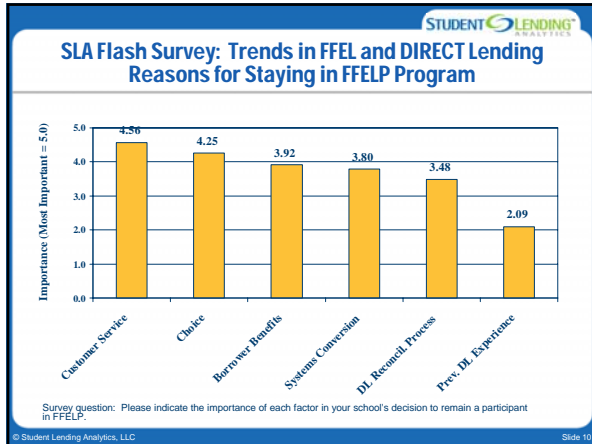


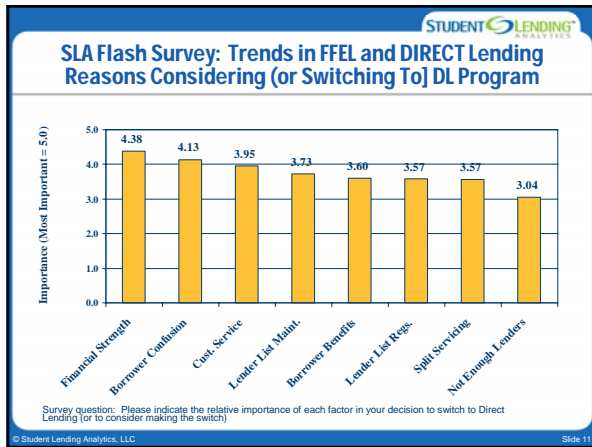




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- ### SASFAA Annual Conference FFELP Market Update
- One-two punch of CCRA and credit crunch has floored over 100 FFELP lenders
 - Government has intervened aggressively to prop up FFELP lenders
 - ECASLA
 - Short-Term Loan Purchase Program
 - Commercial Paper Conduit
 - TALF
 - No student who needed a federal loan was denied one, but...
 - Lender list shake-up created confusion, uncertainty and extra work
 - Some lenders delayed their disbursements
 - Lenders significantly restructured their staffing levels to reflect new market realities
 - Current structure
 - Bank/Student lender **originates** loan
 - Department of Education **purchases loans** or a participation right
 - Loans likely to be put to the Department will use a **servicer** TBD
 - Servicing rights for loans sold to the Department an unresolved issue
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SASFAA Annual Conference Private Student Loan Markets Blinking Red

➤ Availability of private loans declining rapidly...

- Lenders representing over 35% of private loan market have departed in 2008
 - Credit line pulled: College Loan Corp., Education Finance Partners
 - Parent company afflicted by sub-prime issues: Wachovia, CampusDoor
 - Inability to access ABS market: Key Bank, Bank of America (TERI)
 - Rising delinquencies overall have limited investor appetite for securities

- Other lenders narrowing loan activities to most creditworthy clients as fears mount over deteriorating consumer credit situation...
 - Largest private lender Sallie Mae (over 40% market share) had 20% drop in private loan originations in 2008.
 - Citibank and Sallie Mae both continue to see increasing delinquencies based on most recent quarterly reports.

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SASFAA Annual Conference Stimulus Package May Further Reduce Demand for Private Loans

- Increase Pell Grant by \$500
- House version would increase unsubsidized Stafford Loans by \$2,000 per year
 - Increases aggregate limits for dependent to \$39,000
 - Increases aggregate limits for independent to \$65,000
 - Changes retroactive to January 1, 2009
 - Senate version would leave limits unchanged
- Next step will be to reconcile House and Senate versions
- Obama has asked for bill to be on his desk by mid-February
- States also looking for innovative solutions to fill the gap
 - Connecticut partnerships with credit unions
 - New York private loan program

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SLA Flash Survey: Alternative Loan Availability Strategies for Dealing with Alt. Loan Issues (Overall)

Strategy	Aug-08 (%)	Jun-08 (%)
Co-signers	77%	68%
Parent PLUS	73%	78%
Written Requirement Plan	60%	53%
Lender List	50%	64%
Counseling	26%	50%
External Lites	16%	19%
Institutional Funds	16%	16%
Multiple Applications	4%	8%
Peer-to-Peer	4%	8%

Source: SLA Flash Survey on Alternative Loan Availability
Survey question #2: What are your current strategies to help students find ALTERNATIVE loans for the 2008-09 school year?

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SASFAA Annual Conference HEOA Creates New Requirements for Lender Lists

- FFEL Lender Lists
 - Justify why each lender on your list was selected
 - Annual reporting requirement to Department of Education
 - Conform to model disclosure of loan terms and borrower choice
- Private Lender Lists
 - Low threshold
 - An educational institution that provides "information regarding a private education loan from a lender to a prospective borrower"
 - Significantly enhances disclosures to be provided by lenders at every stage of process (application, approval and consummation)
 - Borrowers to self-certify loans
 - Financial Aid office responsible for providing required information
- Code of Conduct
- Dear Colleague Letter released in late December with effective dates

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SASFAA Conference Timing of New HEOA Requirements – August 2008

- Program Participation Agreement (3 elements)
 - Code of Conduct
 - No revenue sharing arrangements
 - Gift ban
 - Ban on contracting arrangements
 - No certification delays or lender assignment for first-time borrowers
 - Prohibition on offers of funds for private loans
 - Ban on staffing assistance
 - Ban on advisory board compensation
 - Preferred Lender List
 - Requires additional disclosure for schools entering into preferred lender arrangements
 - Rationale for including each lender on the list
 - Minimum of 3 FFEL lenders and 2 private lenders
 - Disclose method and criteria for lender selection
 - Private Education Loan Certification
 - Institution must provide information necessary to complete self-certification form

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SASFAA Conference Timing of New HEOA Requirements – August 2008

- Private Student Loan Improvement - Truth in Lending Act
 - Definitions
 - Prohibition on Certain Gifts and Arrangements
 - Advisory Board Compensation
 - Prohibition on Prepayment or Repayment Fees or Penalty
 - Model Disclosure Form
 - To be issued prior to August 14, 2010
 - Duplicative Disclosure Requirements
 - Duties of Lenders Participating in Preferred Lender Arrangements
 - Applicability of the Truth in Lending Act to All Private Education Loans

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SASFAA Conference Timing of New HEOA Requirements

- July 1, 2009
 - Required Lender Disclosures to FFEL Borrowers
 - New borrower disclosures during repayment
 - For any loan for which the first payment is due on or after this date,
 - For the required bill statement and required disclosures to borrowers having difficulty making payments; and
 - For any loan that becomes delinquent on or after this date, for required disclosures to delinquent borrowers.
- February 2010 (18 months after enactment)
 - Lenders in preferred lender arrangements must annually certify compliance
 - Minimum information that lenders, institutions, and institution-affiliated organizations participating in preferred lender arrangements shall make available regarding FFEL Program loans
 - Private Student Loan Improvement Act
 - Disclosures Required in Private Education Loan Applications and Solicitations, Approval and upon Consumption
 - Self-Certification of Information

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SASFAA Conference What About the Annual Report ?

- **Timing:**
 - Each covered institution and each institution-affiliated organization that has a preferred lender arrangement for the purpose of offering FFEL or private education loans to the institution's students or their families must submit an annual report to the Department, by a **date determined by the Department**.
- **Report elements:**
 - the minimum loan information the Department identifies and requires to be disclosed to students or their families on FFEL loans;
 - the minimum loan information required to be disclosed on private education loans under section 128(e)(11) of the TILA
 - a detailed explanation of the reasons the institution or organization entered into the preferred arrangement, including why the terms, conditions, and provisions of each type of education loan provided under the arrangement are beneficial to the institution's students or their families.

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SASFAA Annual Conference The Process Matters

- Identify most important criteria and determine their weightings
- Craft RFI questions based on criteria you determine is most important
 - Yes/No questions vs. open-ended ones
- Develop comprehensive list of lenders to invite
- Receive confirmation from lenders that they will be responding
 - Bank of America has indicated they will not be responding to RFIs
 - Chase will respond to Alt. Loan RFIs now and FFEL RFIs at some point in future
- Analyze lender responses in objective, analytical fashion
- Develop scorecard for lender responses
- Select lenders based on scorecard
- Draft methodology document which describes your process
 - Appoint scribe at outset of process

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SASFAA Annual Conference Find Savings for Students Where You Can

- ECASLA has diminished opportunity for borrower benefits with FFEL loans
 - Most offering just 0.25% interest rate reduction for auto-debit in order to be eligible for sale to Department of Education
 - Still one lender out there with no-fee Stafford loan
- The 1% opportunity
 - Ask lenders to partner with guarantors that are offering to waive the federal default fee
 - Guarantors typically announce their policies in December
 - Global fee waiver policy
 - Selective fee waiver policy
 - Analyze guarantor financial position to ensure long-term viability of fee waiver
 - Saving 1% of \$10 million FFEL loan portfolio equates to \$100,000

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SASFAA Annual Conference Financial Strength of Lenders MUST be Evaluated

- Use your Business Office to assist on this analysis
- Source of financing
 - Internal
 - External
 - Participation in Dept. of Education's liquidity plan
 - Even with all government programs, lines of credit still imperative
- External bond ratings provide clue to cost of capital
 - Moody's, Fitch, S&P
- Loan growth over 2-3 year period signal access to capital
- Default and delinquency rates
- Stock price
 - Performance relative to other student lenders
 - Trends

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SASFAA Annual Conference Innovative Ways To Measure Customer Service

- Student/Parent Surveys
 - Time as close to disbursement as possible
 - Measure performance of lender during each stage of process and each touch point
 - Determine criteria that are most important to them in selecting lenders
- Financial Aid Team Members
 - Gauge quality of loan processing and responsive of lender representatives
 - Good source for student issues also
- Call Center quality
 - Measure quality of interaction with customer service representatives
 - Develop standardized situations to ensure "apples to apples" comparison
- Website reviews
 - Assess user-friendliness and ability of borrowers to self-service
 - Assess transparency of lender's disclosures

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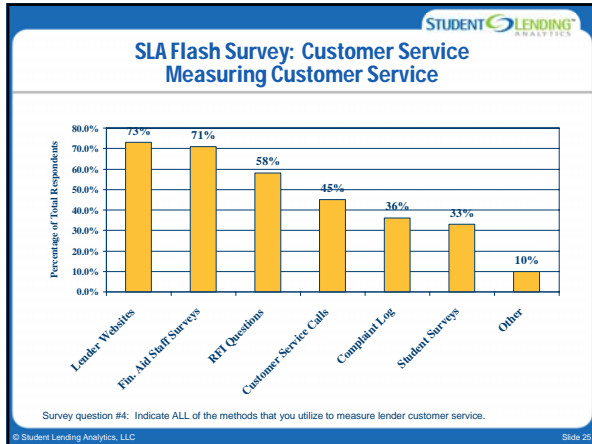
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SLA Flash Survey: Customer Service Include Customer Service in Lender Selection Process

Category	Percentage of Total Respondents
Overall	86%
4-Year Private	93%
4-Year Public	79%
2-Year Public	78%

Survey question #1: Do you currently include customer service as a criterion in your lender selection process?
Note: Only includes schools who had FFEL and/or Alternative Lender List

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- ### SASFAA Annual Conference Lender Management Not a Once Per Year Event
- Selecting lenders is the beginning of the process not the end
 - Keys to effectively managing lender relationship
 - Information shared by lenders
 - Approval rates
 - Tiering distribution
 - Changes to loan terms/eligibility requirements
 - Information shared by schools
 - Feedback from students/parents/financial aid staff
 - Identify systemic issues early
 - Establish service expectations in the RFI to avoid misunderstandings
 - Can't manage it if you do not measure it
 - Adjust lender list based on new developments
 - Importance of casting a wide net to have back-ups available
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- ### SASFAA Annual Conference Lender List Can Be a Competitive Advantage
- Parents and students appreciate it
 - Time savings
 - Positive customer service experience affects opinion of financial aid
 - Increased confidence about the choices they made
 - Provides confidence that they will have access to loans
 - Financial aid team members appreciate it
 - Streamlined operations
 - Minimize time spent helping borrowers "find the best lender"
 - Opportunity to provide input to process
 - Recognize value of lender list to students
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SASFAA Annual Conference Split-Servicing of FFELP Loans Sold to Department

- Be aware that FFELP loans sold to the Department through their Short-Term Purchase Program will be serviced by the Department of Education's servicer
 - See Electronic Announcement from January 30, 2009:
 - <http://www.ifap.ed.gov/eannouncements/013009CustServInfoforBorrowers.html>
- **Customer Service Toll-Free Numbers for FFEL Loans Purchased/Serviced by the Department...**
 - **For Borrowers** 800/508-1378
 - **For Schools** 866/938-4750
 - **For Collections** 866/938-4749

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Student Lending Analytics Background

- Founded in 2007
- Independent Research and Advisory Service with NO lender affiliations
- Mission: Find best lenders for students through an analytically rigorous and comprehensive process
- Services
 - RFI Management of FFEL and Private Loans
 - Research
- Successes to Date
 - Managed RFI process at institutions with over \$850 million in loan volume
 - **Inside Student Lending**, our monthly newsletter, reaches over 5,000 financial aid administrators
 - **Student Lending Analytics Blog** has become the go-to source for breaking developments and analysis on the student lending industry
 - **SLA Flash Surveys** have included the insights from over 1,500 financial aid professionals on a variety of timely topics
 - **Private Loan Options** and the **SLA's 2008 Alternative Loan Guide** provides students and financial aid offices with an objective and focused list of private lenders

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The Student Lending Analytics Process RFI Management

Planning •YOU determine which criteria are most important in selecting your lenders •YOU weight the importance of each criterion	Development of Customized RFI •SLA creates RFI based on your custom criteria •SLA's time-tuned RFI has questions that will elicit specific answers from lenders	Broad Distribution •SLA sends RFI to a comprehensive list of lenders •SLA notifies YOU of lenders who intend to participate	Objective, Rigorous Analysis •SLA rates lender RFI responses in an analytically rigorous fashion •SLA provides proprietary surveys and analysis to augment lender responses	Lender Selection •SLA creates a Scorecard to summarize the lender ratings •YOU select lenders from the SLA Scorecard	Ongoing SLA Support •SLA updates analysis as information changes •SLA provides methodology document •SLA drafts sample disclosure statements
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← 5 - 6 Week Process from Start to Finish →

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Student Lending Analytics Research Services

Inform financial aid offices on industry developments (implications for their lender lists and relationships)

- [Student Lending Analytics Blog](#)
 - Timely insights to developments in student lending industry
- Alerts
 - Legislation, lender exits, earnings calls, industry insight
- Monthly newsletter
 - August – Tips for Lender Lists
- Webinars
 - April – Lessons Learned in Trenches of Lender Selection Process
 - September – HEOA and Lender Lists
- Surveys (summaries available on our [website](#))
 - FFEL vs. Direct Lending
 - RFI Practices
 - Implementing increased Federal Stafford loan limits
 - Alternative Loans
- Legislative and regulatory updates
- White papers
- Help Line to answer questions/resolve issues throughout the year

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Student Lending Analytics Contact Information

For more information about SLA and our RFI+ services, please contact us at:

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