

STUDENT LENDING ANALYTICS

COHEAO Annual Conference
Preferred Lender Lists For Private Student Loans

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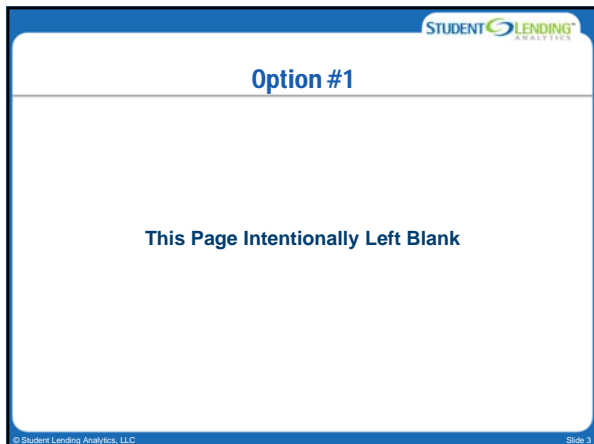


STUDENT LENDING ANALYTICS

Agenda

- The Options
- The Market
- The Regulations
- The Reaction

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Option #1

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Option #2

- Chase Select
- CitiAssist
- Citizens TruFit Student Loan
- Complete Ed Loan
- Credit Union Ed Access Private Student Loan
- Credit Union Student Choice
- Discover Student Loans
- PNC Solutions Loans
- Sallie Mae Smart Option Loan
- SunTrust Academic Answer Loan
- US Bank No Fee Education Loan
- Wells Fargo Collegiate Loan
- Connecticut Higher Education Supplemental Loan Authority (CHESLA)
- Maine Educational Loan Authority (MELA)
- Massachusetts Educational Financing Authority (MEFA)
- New Jersey Class Loan
- Vermont Student Assistance Corporation (VSAC) Advantage Loan

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Option #3

- Cooperative Center FCU
- Wells Fargo
- Discover
- SunTrust
- Sallie Mae

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The Paradox of Choice

- ☞ "The first effect is with all these options to choose from, people end up choosing none. They simply pass."
- ☞ "Second effect is that if people overcome this indecision and paralysis and choose, they may choose badly."
- ☞ "The third thing, which is in some ways the most surprising, is if you overcome paralysis and manage to choose, and you manage to choose well, you'll be less satisfied with what you've chosen if you've chosen from a large set than if you've chosen from a small one."

Source: Interview with Barry Schwartz, author of Paradox of Choice

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Don't All Lenders Offer the Same Rates?

SLA's spring 2009 research found the starting interest rates offered by six major lenders varied from 7% to 12% using the same borrower and cosigner information

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Dependent On Schools For Help

- Decision makers: Parents of undergraduates
- Sources for information about private loans: Rely heavily on schools
- Importance of name recognition: Many chose based on this factor
- Frequency of comparison shopping: Many went with the first loan offered to them

Source: Federal Reserve Consumer Research and Testing, 2009

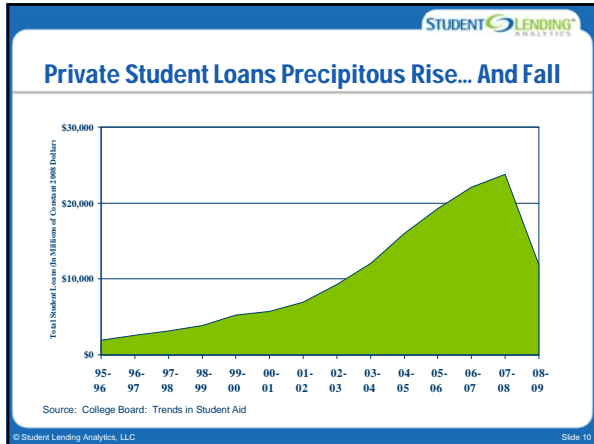
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From Subprime to Superprime

	2007	Today
Loan Volume	\$23 billion	\$11 billion
Avg. Loan Margins	LIBOR + 5%	LIBOR + 9% to 9.5%
Min. FICO score	620 to 630	680 to 700
Cosigners	50-60%	80-90%
Quarterly Gross Defaults	0.7%	1.2%
Number of Lenders	Multiple choices	Limited choices

Sources: College Board data used for 2007 Loan Volumes and SLA estimates for 2009 Loan Volume estimates, reviewed securitization prospectus for Loan Margins, DBRS research for Quarterly Gross Defaults

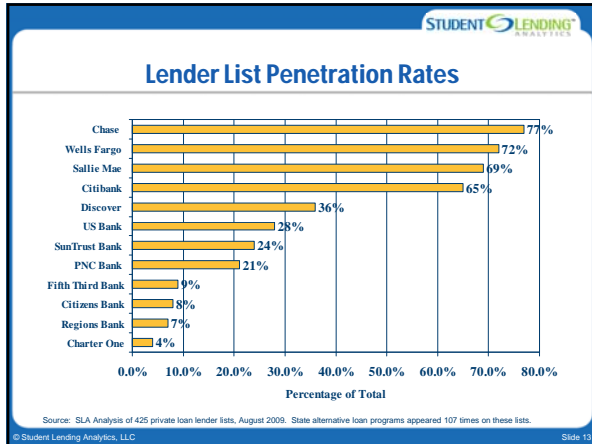
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More Borrowers Turning To Federal Student Loans

Loan Type	2007-08 (In Billions)	2008-09 (In Billions)	Percent Change
Stafford - Subsidized	\$29.5	\$30.6	4%
Stafford - Unsubsidized	\$28.5	\$36.9	29%
PLUS	\$7.7	\$7.4	-4%
GradPLUS	\$3.2	\$3.9	24%
TOTAL	\$69.0	\$78.8	14%

Source: SLA Analysis of Dept. of Education data on Data Center

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- ### Agenda
- ↻ The Options
 - ↻ The Market
 - ↻ **The Regulations**
 - ↻ The Reaction

- ### Requirements If You Have A PLA
- ↻ Disclosures on preferred lender list
 - Boilerplate language
 - Model disclosure forms with details on loans (to be provided by lenders)
 - Description of process
 - ↻ Process
 - Describe method and criteria for lender selection process
 - Identify reasons for selecting each lender
 - ↻ Delivery of information to students/families
 - Timing
 - Placement of information
 - ↻ Administrative
 - File Annual Report
 - Develop a Code of Conduct
 - Update Program Participation Agreement

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Five Questions To Ask For 2010-11

- What was average margin on private loans originated since July of 2009?
 - What was the approval rate for loans originated since that time also?
 - Average FICO score for approved loans
- How will you be funding your private loan operations for 2010-11?
- How do your call center employees assess the needs of student/parent callers interested in "student loans?"
- What changes, if any, do you have planned for the structure of your private education loan product?
- Please provide a generic copy of the promissory note that borrowers will need to sign.

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Use External Sources of Information

- Student/Parent Surveys
 - Interest rates
 - Approval rates
 - 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

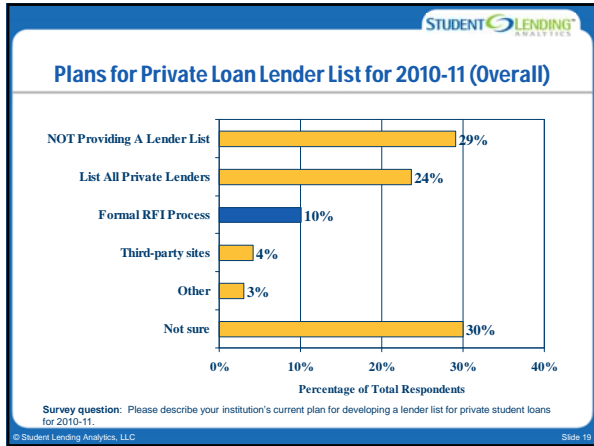
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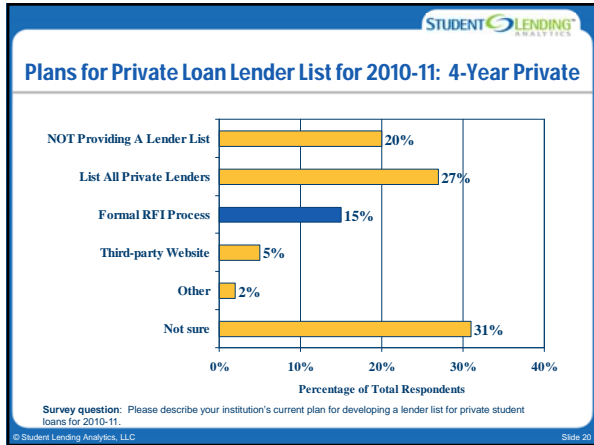
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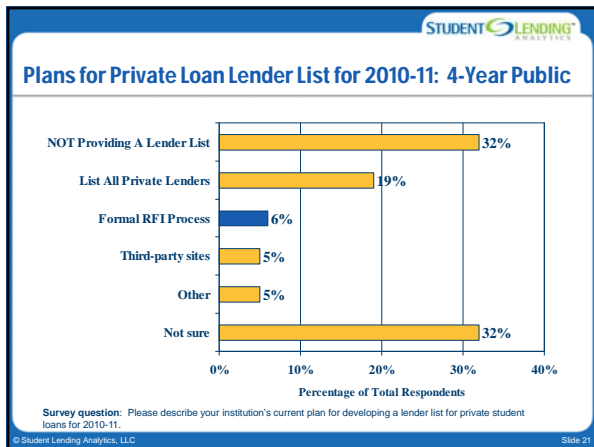
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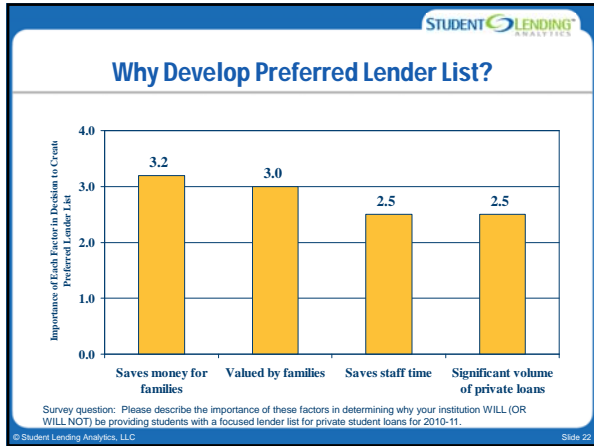
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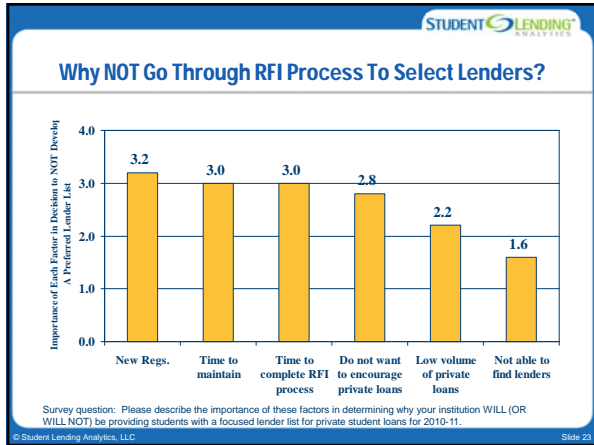
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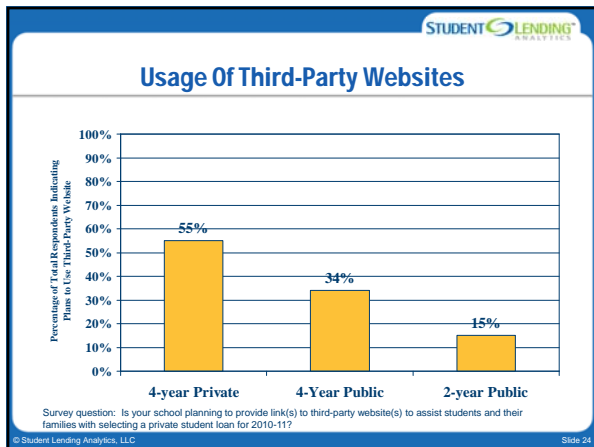












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Strategies To Help Families

- Recommending use of cosigner
 - "We indicate to ALL students that they need to apply with a cosigner."
- Mulling over institutional loan program
 - "Considering institutional loans."
 - "School may develop an unfunded institutionally subsidized loan program with a very low interest rate during repayment."
- Pushing payment plans
 - "Our main push for 2010-11 will be to discuss the use of payment plans in the families overall financing of the college education."
- Researching private scholarships
 - "We have started to workshops and communication plans promoting private scholarships and how to apply for them."
- Counseling
 - "One-on-one counseling...when requested."

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Strategies To Help Families

- Recommending Parent PLUS
 - "When students are denied with a parent cosigner we refer them to the parent PLUS and if parent is denied the PLUS we offer additional unsubsidized loan to the student."
 - "Explaining the advantages of Plus vs. private loans for dependent students, more are listening!"
- Encouraging that students shop around
 - "Apply to all until you get an approval, and do so within a short period of time"
- Third-party sites
 - "For information on private loans, we are steering students and families to StudentLendingAnalytics.com and finaid.org (as well as to our own website pages for general info on private loans)."
- Exhaust all options first
 - "We encourage students to exhaust all Title IV loan eligibility first, debt counseling, consider loans from relatives, home equity, etc. before committing to private student loans."

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Contact Information

Tim Ranzetta
Student Lending Analytics
tranzetta@studentlendinganalytics.com
650-218-8408

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STUDENT LENDING ANALYTICS

Student Lending Analytics Resources Available

- SLA Private Student Loan Options
- SLA Private Student Loan Ratings
- 2009 SLA Private Loan Series
 - Ten part series on topics ranging from finding a cosigner to reading the promissory note
- Student Lending Analytics Blog
 - Timely, insightful information about the student loan market
- Private Loan Insight Survey
- Student Satisfaction Surveys

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