



**Student Lending Analytics
Lender Selection Process Survey
May 15-16, 2008**

This presentation does not constitute formal policy or legal advice and should not be relied upon as such.

SLA Lender Selection Process Survey Background

Situation

- The lender selection process has come under scrutiny from parents, university administrators and new regulations from the Department of Education (which take effect on July 1, 2008)

Survey Goals

- Determine methods that schools are using to evaluate lenders
- Ascertain the time required for schools to select lenders
- Identify team members involved in the lender selection process

SLA Lender Selection Process Survey Methodology

- Emailed flash survey to over 2,500 schools on May 15, 2008 with due date of May 16, 2008.
- In addition to demographic questions, survey had three questions
 - Do schools use lender lists for their FFEL and/or Alternative Lending programs?
 - How much time is required for schools to complete their lender selection process?
 - What departments were involved in the decision-making process?
- Responses were normalized for following reasons
 - Responses with no email address (or email addresses without .edu extensions) were excluded
 - Several schools provided multiple responses; only one response was counted
- Overall, 249 responses were included in the analysis

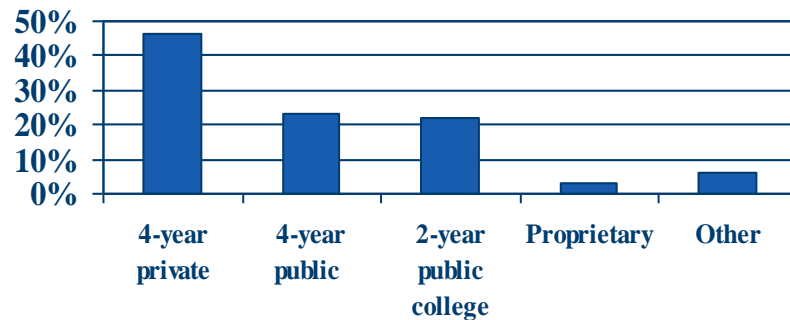
SLA Lender Selection Process Survey Insights

- Overall, 76.3% of survey respondents have a FFEL Lender list, while only 61.8% provide an Alternative Lender list.
 - 4 year private schools were most likely to have both a FFEL Lender list (87.0%) and Alternative Lender List (84.4%)
- Overall, 59% of respondents with a lender list use an RFI (55%) or RFP (4%) to select lenders for their list
 - 28% indicated that they would provide comprehensive list of past lenders
- Wide variance in time required to complete lender selection process
 - 0-24 man-hours 34%
 - 25-49 man-hours 25%
 - 50-99 man-hours 29%
 - Over 100 man-hours 12%
- 75% of lender selection committees consist solely of financial aid staff

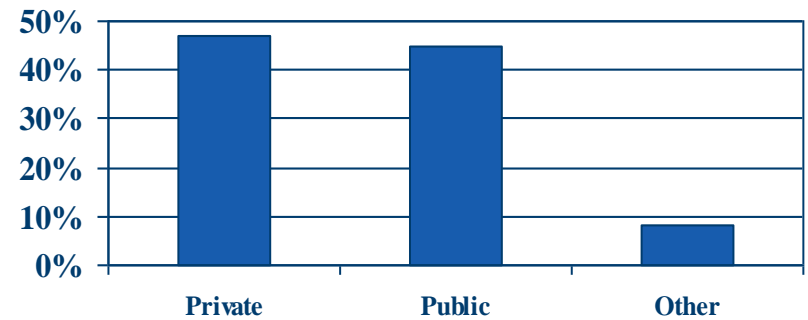
SLA Lender Selection Process Survey

Profile of Survey Participants

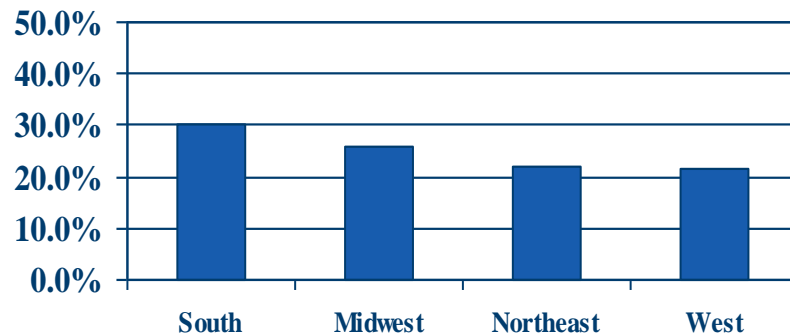
School Type



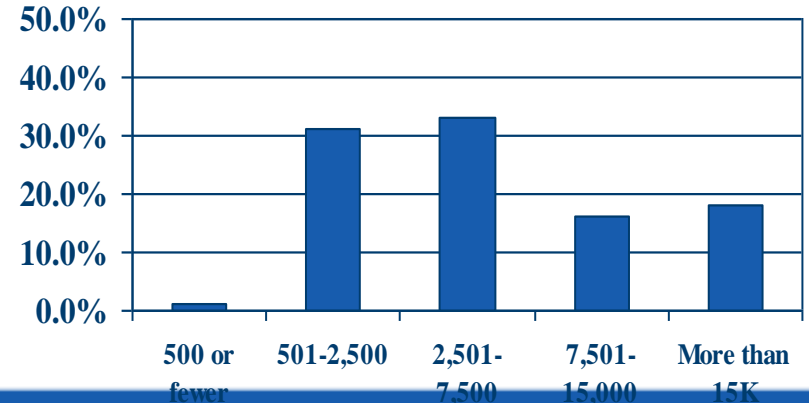
School Ownership



School Region

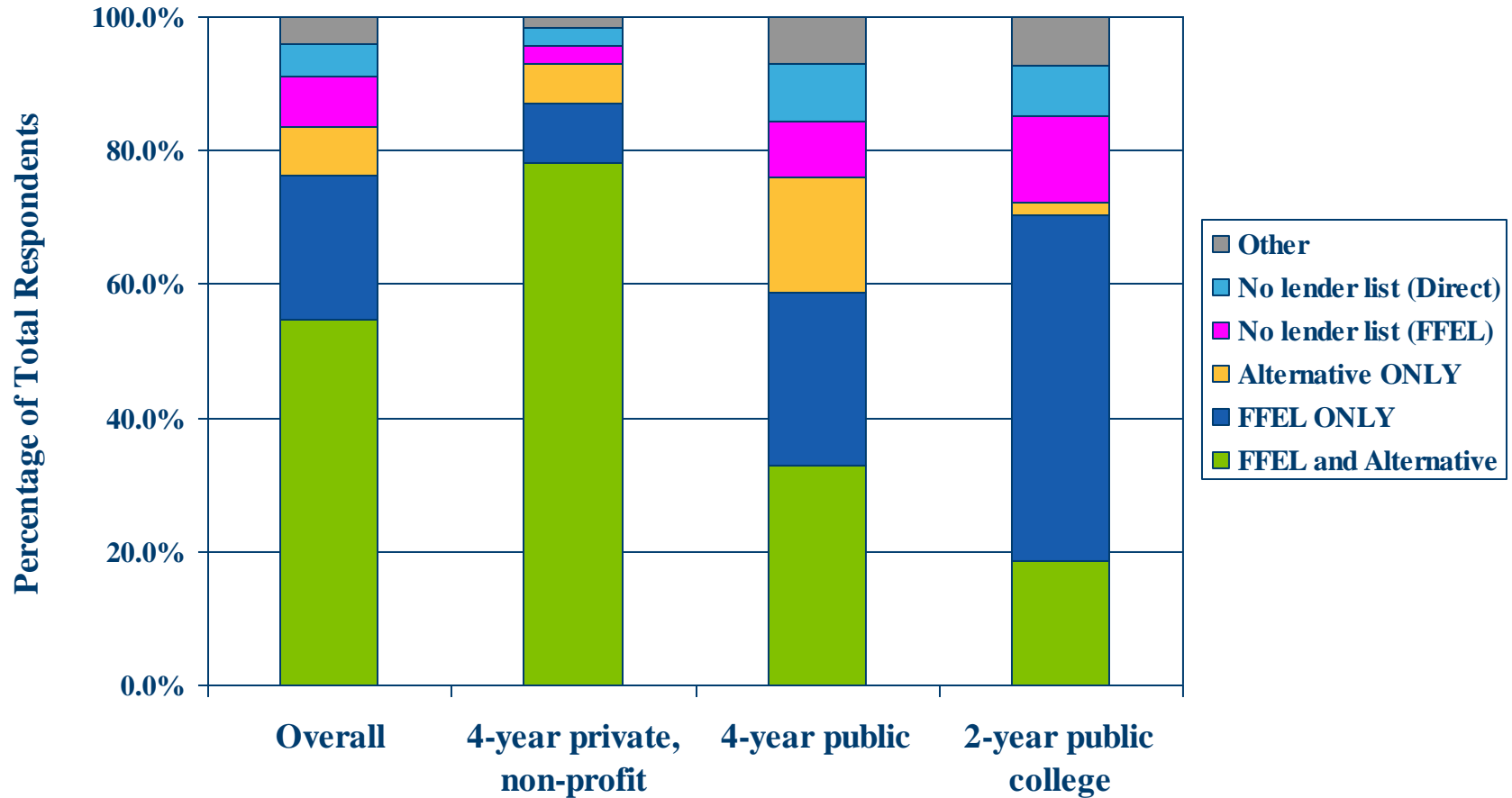


School Size



SLA Lender Selection Process Survey

Lender List Used (by School Type)



Survey question: For which loan program(s) will your school be furnishing a lender list for the 2008-09 processing year?

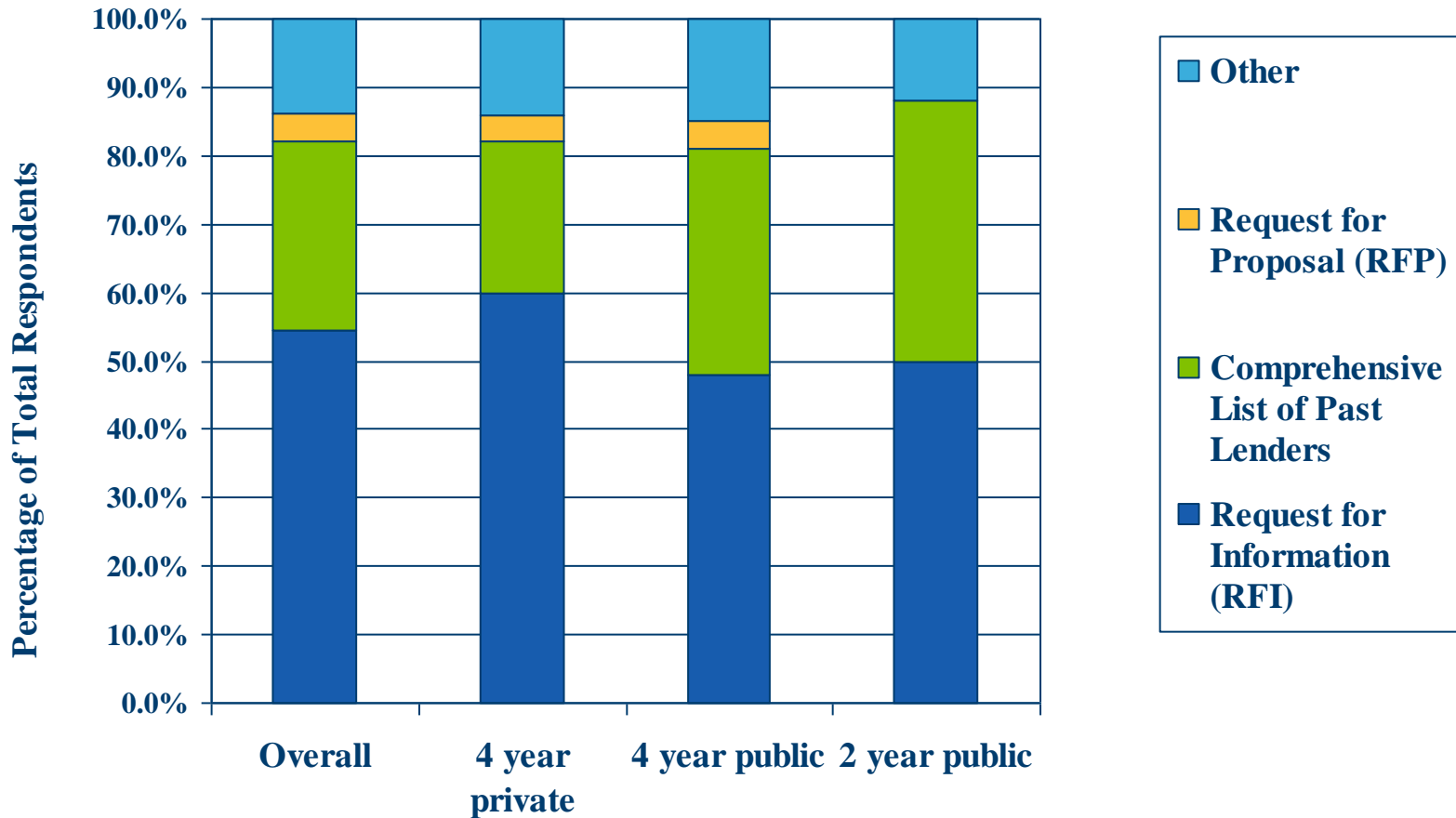
SLA Lender Selection Process Survey

Reasons for Not Having Lender List

- ④ 12.2% of survey respondents indicated that they were not using either a FFEL and/or Alternative Lender List
- ④ Two primary reasons were provided
 - “Concerns over Department of Education Regulations” and “Frequent changes to lender benefits made comparisons difficult” were each cited by 2.8% of survey respondents
- ④ Other reasons cited included:
 - “Attorney General's order/agreement”
 - “Not permitted by our board of trustees”
 - “University legal dept has concerns over the regulations”
 - Using "consumer information" approach that "these are some of the lenders who have expressed interest in continuing to lend to our students..."
 - “We are a direct loan participant and for private loans, feel that guidance regarding what to look for is more appropriate than a list.”

SLA Lender Selection Process Survey

Method Used to Select Lenders



Survey question: Please indicate the method you have used (or intend to use) to select FFEL and/or Alternative lenders for the 2008-09 processing year.

SLA Lender Selection Process Survey

Other Methods to Select Lenders

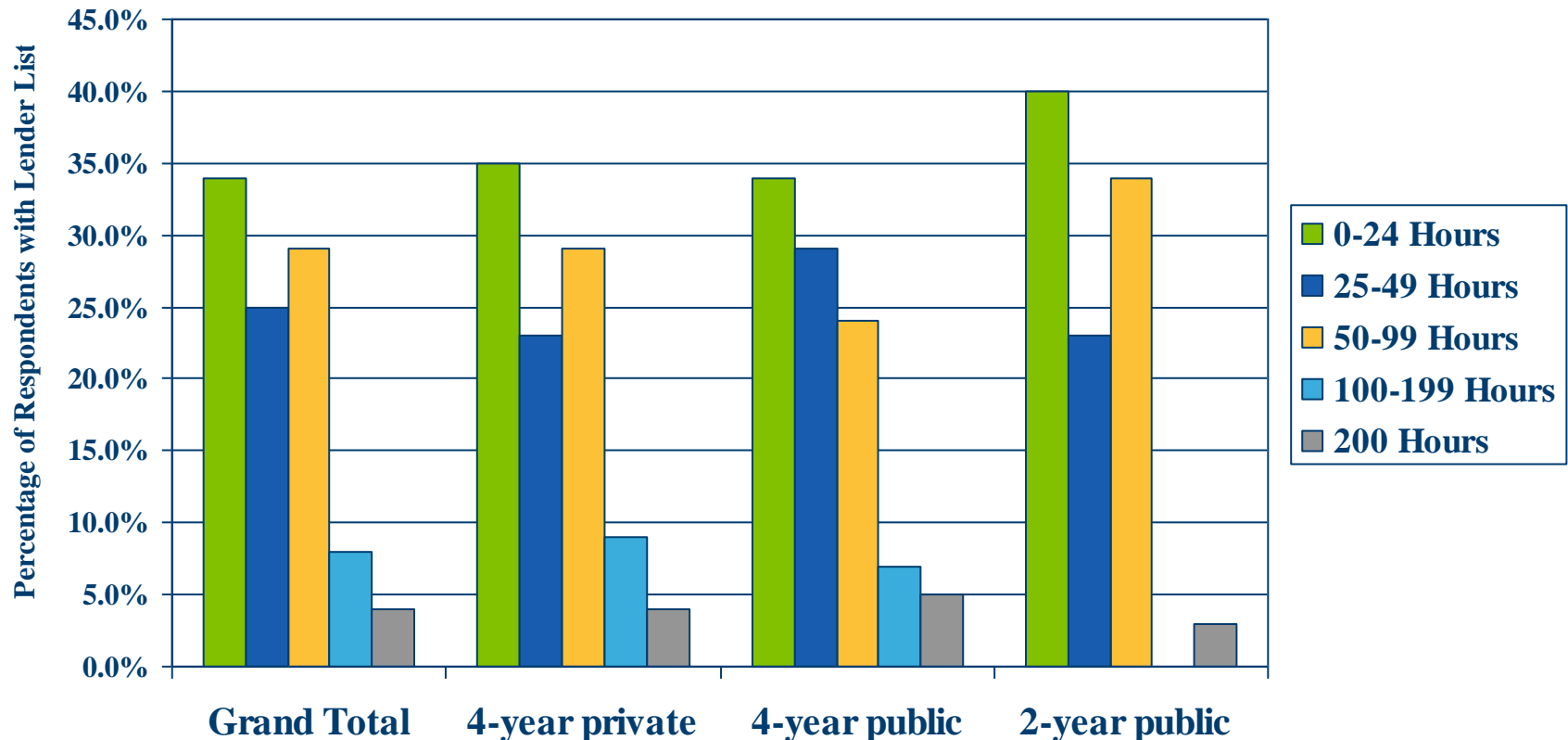
- Previous experiences with lenders often weighed heavily in decision making process
 - “Past lender performance and student recommendation”
 - “Continuing with list from prior years”
 - “Analysis of past performance with student population”

- Loan volumes used to determine lenders
 - “For FFEL we have listed top volume lenders”
 - “Top five based on borrower choice previous year by first time borrowers and overall”

- Customer service cited frequently as key element
 - “Prior lenders with positive service history”
 - “Past experience, high level of customer service, benefits including servicing and default prevention”

SLA Lender Selection Process Survey

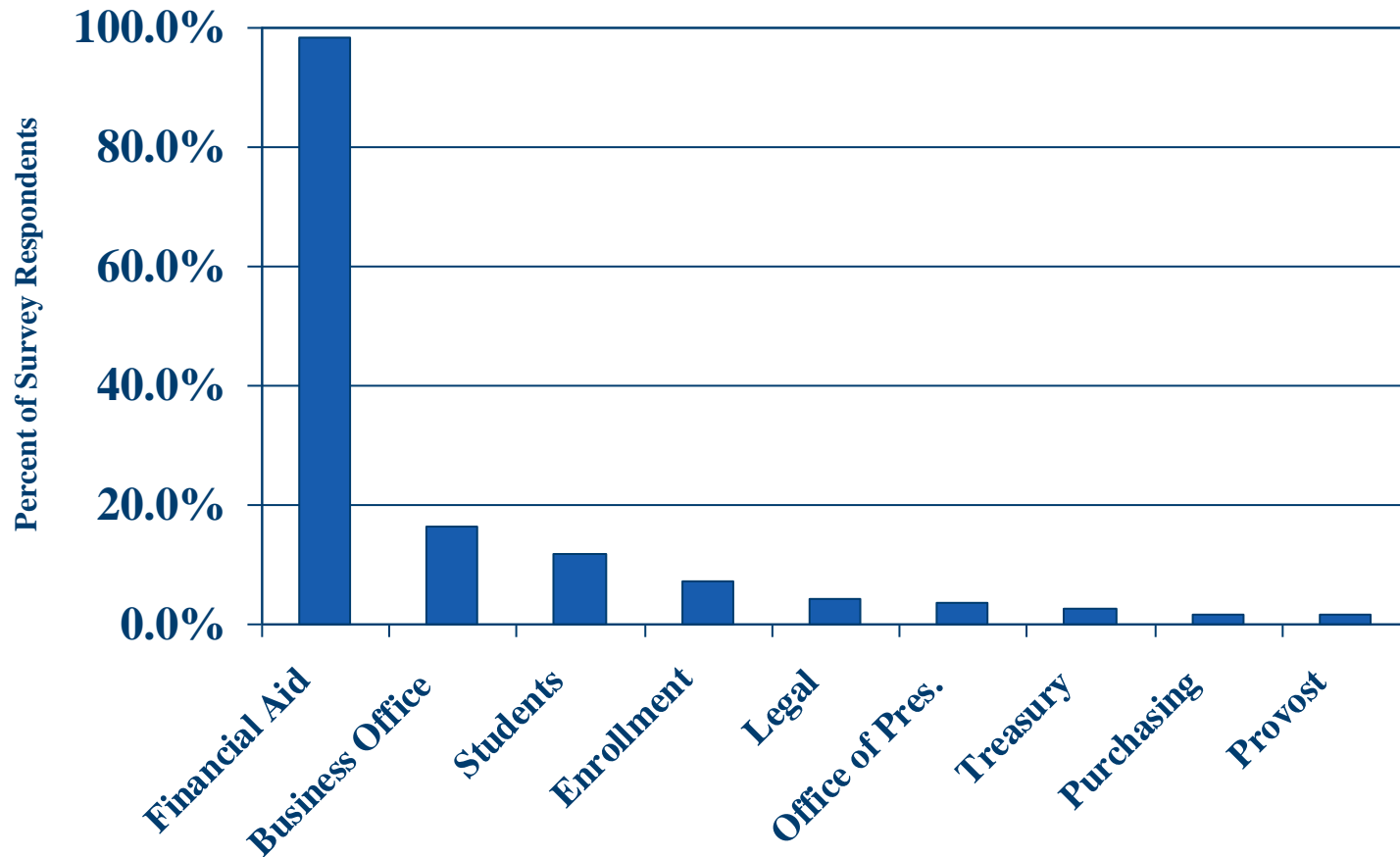
Time Required To Complete Process



Survey Question: Please estimate the TOTAL man-hours that were spent on your most recent lender selection process (e.g., If your lender selection team had 4 people who each worked roughly 20 hours each, total man-hours would equal "80"). If still not completed, please estimate how many hours will be spent once process is complete.

SLA Lender Selection Process Survey

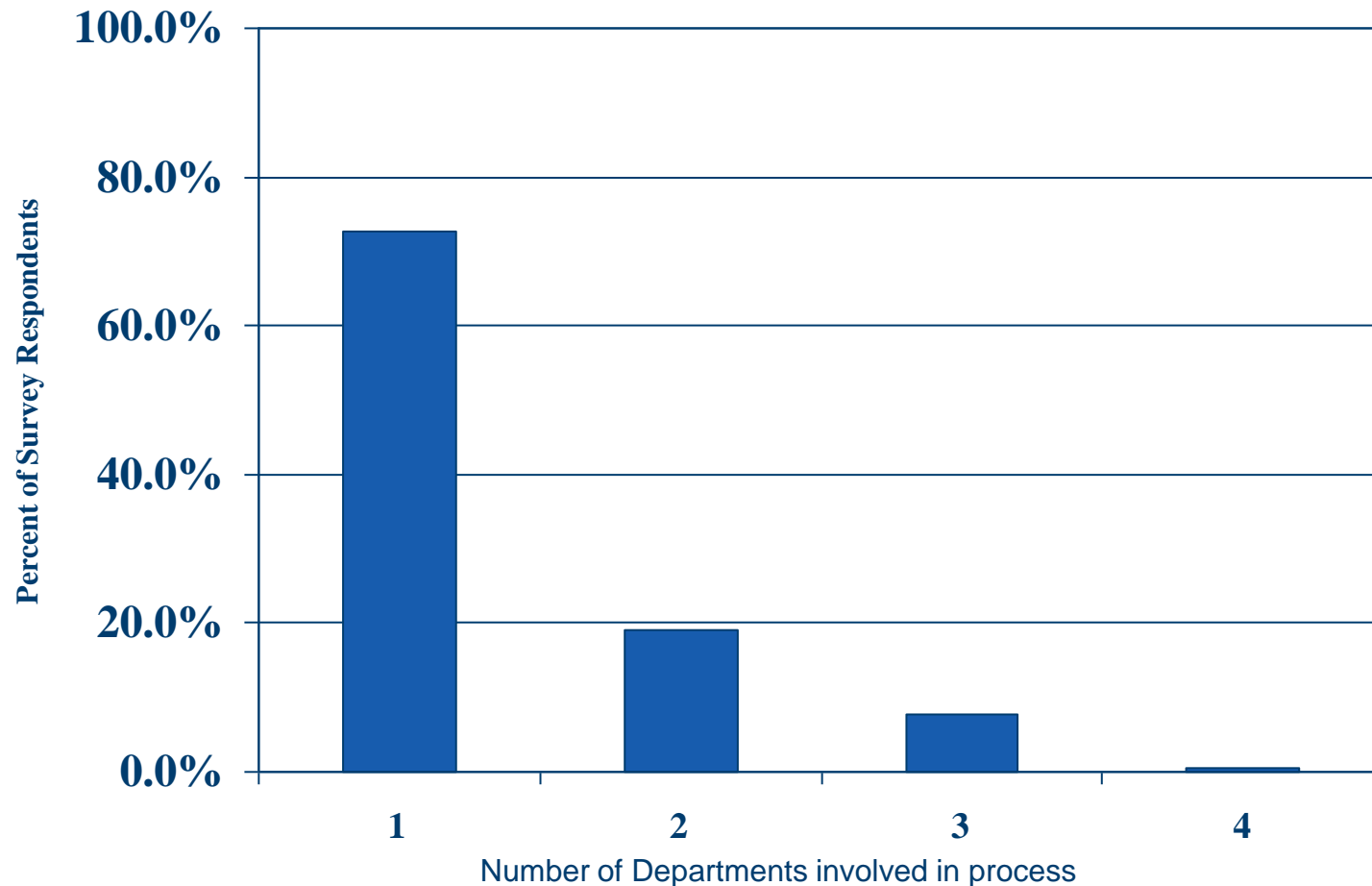
Departments Involved in Process



Survey Question: Which departments or groups were involved in your most recent lender selection process? (Select all that apply)

SLA Lender Selection Process Survey

Departments Involved in Process



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Others Included in Lender Selection Process

- Faculty, Instructors
- Career Services
- Parents
- Compliance
- “Financial Aid did the review and wrote up a justification for the selections. This was reviewed by Treasury and approved.”
- “Lender list was approved by the board of trustees.”

Thank You

- Thank you again for your participation!
- Please contact Tim Ranzetta if you have any additional comments or questions regarding this survey
 - Email: tranzetta@studentlendinganalytics.com
 - Phone: 650-858-2724 X10
- Look for more upcoming SLA Flash Surveys in the future
- For more information on Student Lending Analytics, proceed to the final two slides

Student Lending Analytics

RFI + Services

- Outsourced RFI (Request for Information) services for our clients
 - Clients identify key criteria and weightings
 - SLA develops lengthy list of lenders to invite to process (“cast wide net”)
 - SLA develops customized RFI
 - SLA analyzes results from lenders
 - SLA summarizes results so clients can select lenders

- Key elements of process
 - Time-tested, thorough RFI document
 - Financial modeling of borrower benefits to provide “apples to apples” comparison
 - Probability analysis
 - Net Present Value calculations
 - Proprietary surveys to measure lender customer service in objective way
 - To Financial Aid offices
 - To Student borrowers
 - Web site information and activities

Student Lending Analytics Research Services

- Inform financial aid offices on industry developments (implications for their lender lists and relationships)
 - Alerts
 - Legislation, lender exits, earnings calls, industry insight
 - Monthly newsletter
 - April – How guarantor relationships can save their student's money
 - Webinars
 - April – Lessons Learned in Trenches of Lender Selection Process
 - Surveys
 - Customer service
 - Legislative and regulatory updates
 - White papers
 - Help Line to answer questions/resolve issues throughout the year