



Student Lending Analytics
Flash Survey: Availability of Alternative Loans
August 12, 2008

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

SLA Survey: Alternative Loan Availability Background

Situation

- Concern is growing that constrained balance sheets and the increased risk aversion of lenders will squeeze the supply of alternative loans available to college students for the 2008-09 academic year

Survey Goals

- Calibrate the level of concern felt by financial aid administrators
- Identify strategies to address potential issues with alternative loans
- Provide a baseline for follow-up alternative loan surveys completed throughout the summer
 - Where applicable, the August 2008 survey is being compared against results from the June 2008 survey
 - In bar graphs, August 2008 survey results are presented in the bar on the left while June 2008 results are provided on the right bar

SLA Survey: Alternative Loan Availability Methodology

- Emailed flash survey on August 11, 2008 with due date of August 12, 2008.
- In addition to demographic questions, survey had following questions
 - How is your institution adjusting its student/family payment policies in light of the economic environment?
 - How concerned are you about the availability of ALTERNATIVE loans for your students for the 2008-09 academic year?
 - What is the estimated number of students at your institution who have contacted your office with issues regarding private loan approvals?
 - What are your current strategies to help students find ALTERNATIVE loans for the 2008-09 school year?
- Responses were normalized for following reasons
 - Email addresses that did not correspond with an educational institution were excluded
 - Several schools provided multiple responses; only one response was analyzed
- Overall, responses from financial aid administrators declined significantly to 162 schools as compared to the 263 who responded in June

SLA Survey: Alternative Loan Availability Insights

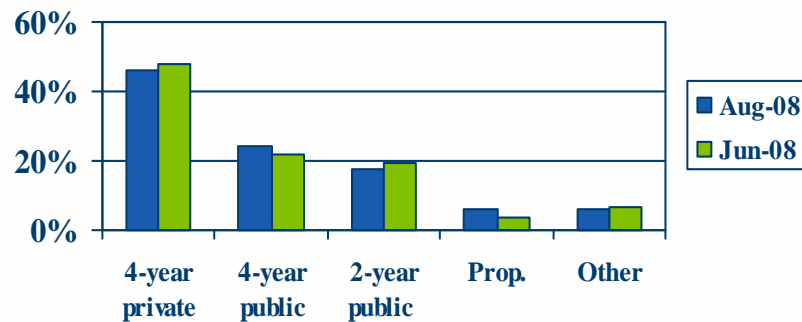
- Overall, 59% (vs. 65% in June) of financial aid administrators have some concerns about the availability of alternative loans for the 2008-09 school year
 - Administrators at 4-year private schools expressed the greatest concern with 21% (vs. 28% in June) being “very concerned” and 51% (vs. 46% in June) being “somewhat concerned” about this issue
 - This appears to largely driven by cost as 51% of 4-year private schools had COA over \$30,000 vs. 0% of 4-year public schools in the survey.
 - 2-year public schools signaled lower levels of concern in the current survey with 18% (vs. 20% in June) being “very concerned” and 18% (vs. 31% in June) saying they are “somewhat concerned”
- Almost 1 in 5 (19%) 4-year private schools are creating more lenient payment terms for school bills, while less than 1 in 20 of 2-year public and 4-year publics are considering similar moves

SLA Survey: Alternative Loan Availability Insights

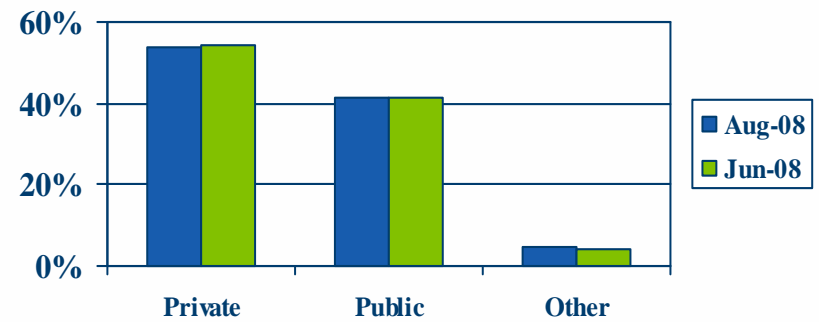
- 65% of respondents to the question believe the FICO cutoff scores for alternative loans are somewhere between 640-680 (50% did not provide an opinion)
- Overall, 77% of respondents indicated that they had heard from less than 100 students with private loan issues....
- However, 73% of respondents indicated that their bills were not past due until after August 15
- The top five leading strategies employed by financial aid administrators to deal with the alternative loan issue are:
 - 77% (vs. 68% in June) recommend to students that they use a creditworthy co-signer to bolster their alternative loan application
 - 73% (vs. 78% in June) recommend that the parents of students apply for Parent PLUS loans given that this loan can cover up to the full cost of attendance less any other financial aid received
 - 60% (not asked in June) recommend monthly tuition repayment plans
 - 53% (vs. 64% in June) of respondents provide their students with an alternative lender list
 - 50% (not asked in June) indicated an increase in personalized counseling/education of students seeking alternative loans

SLA Survey: Alternative Loan Availability Profile of Survey Participants

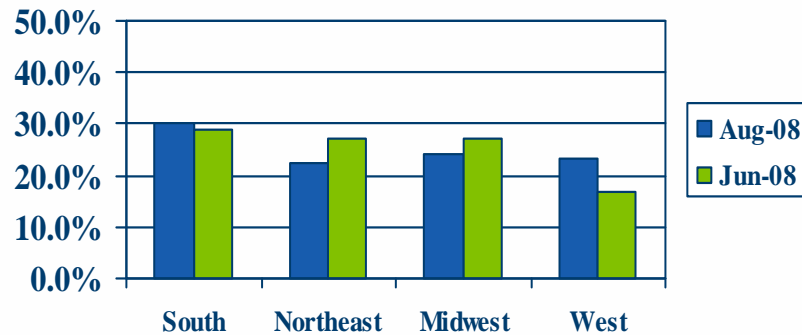
School Type



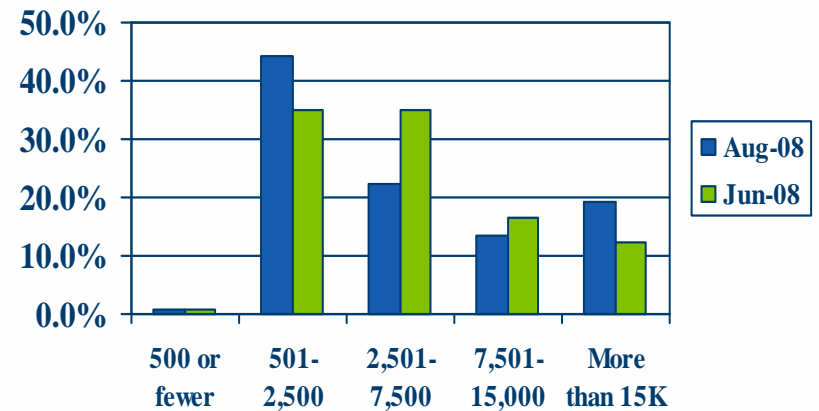
School Ownership



School Region

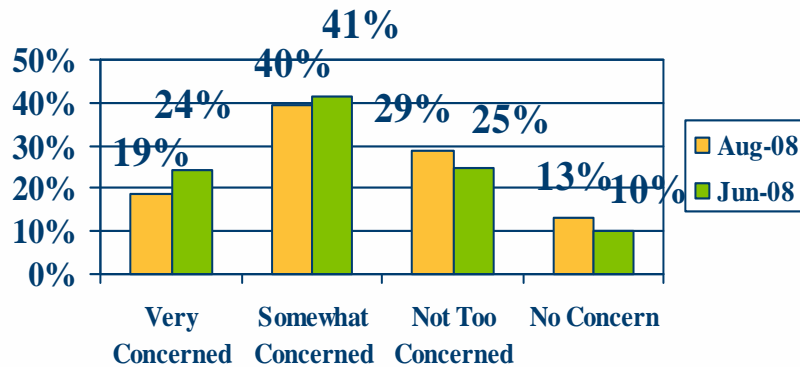


School Size

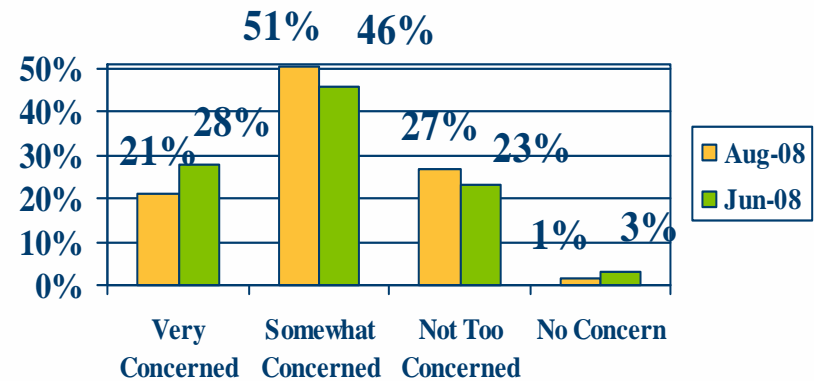


SLA Survey: Alternative Loan Availability Level of Concern By School Type

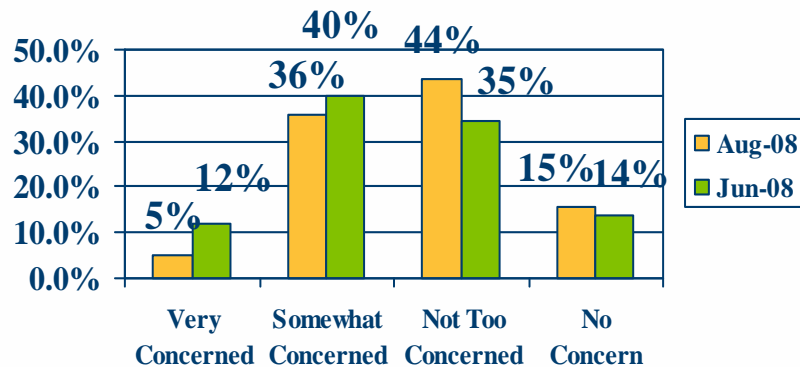
Overall



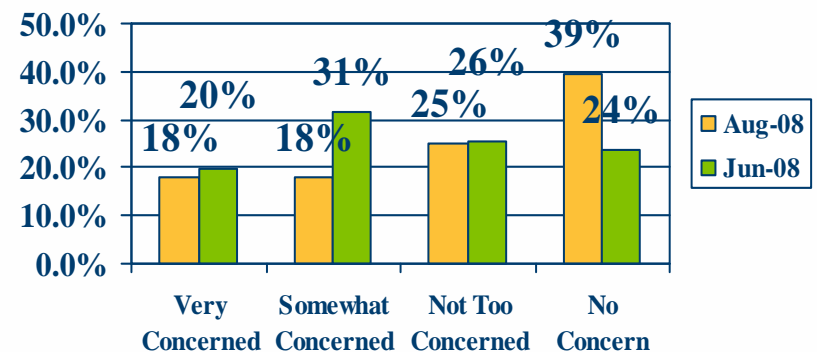
4-Year Private



4-Year Public



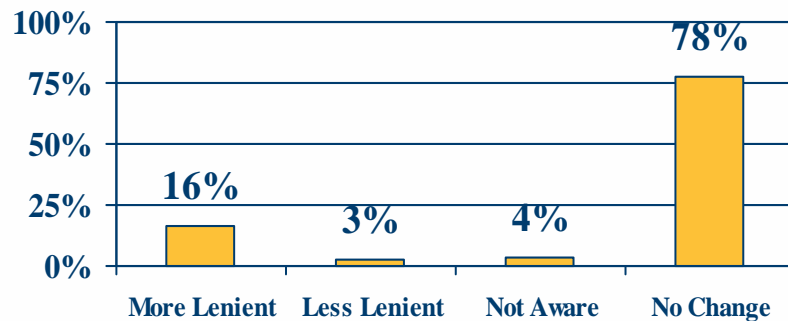
2-Year Public



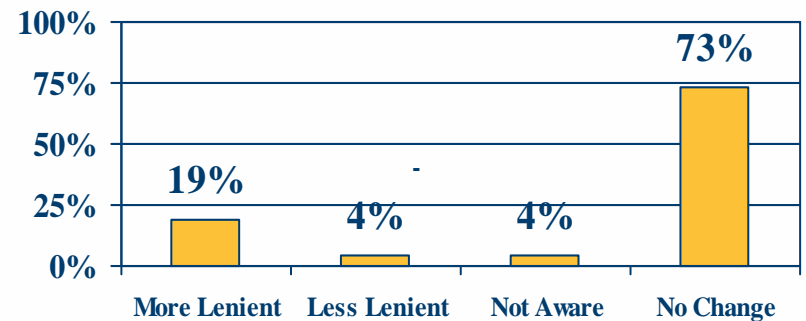
Survey Question #1: How concerned are you about the availability of ALTERNATIVE loans for your students for the 2008-09 academic year?

SLA Survey: Alternative Loan Availability Change in Payment Policies

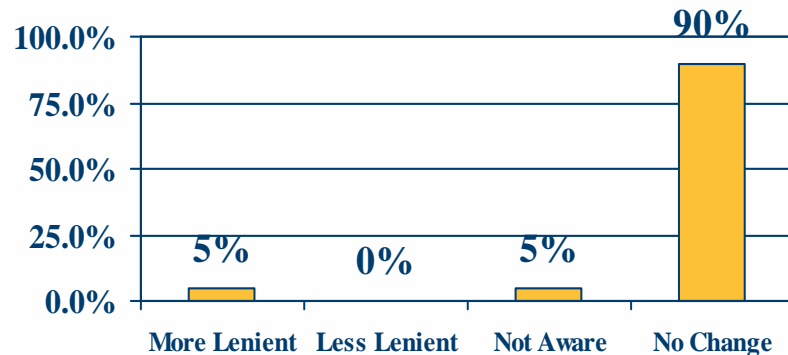
Overall



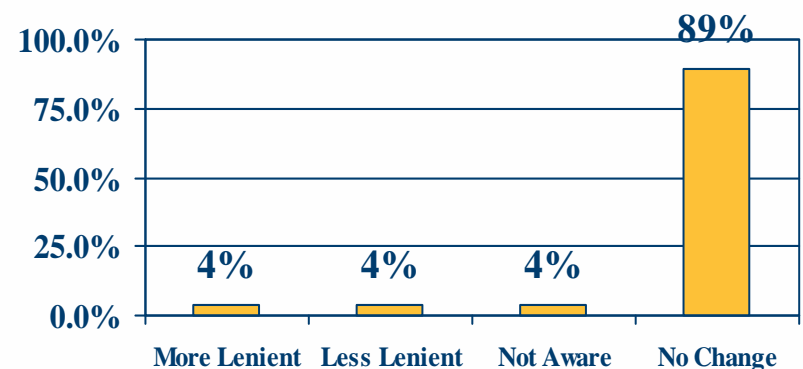
4-Year Private



4-Year Public

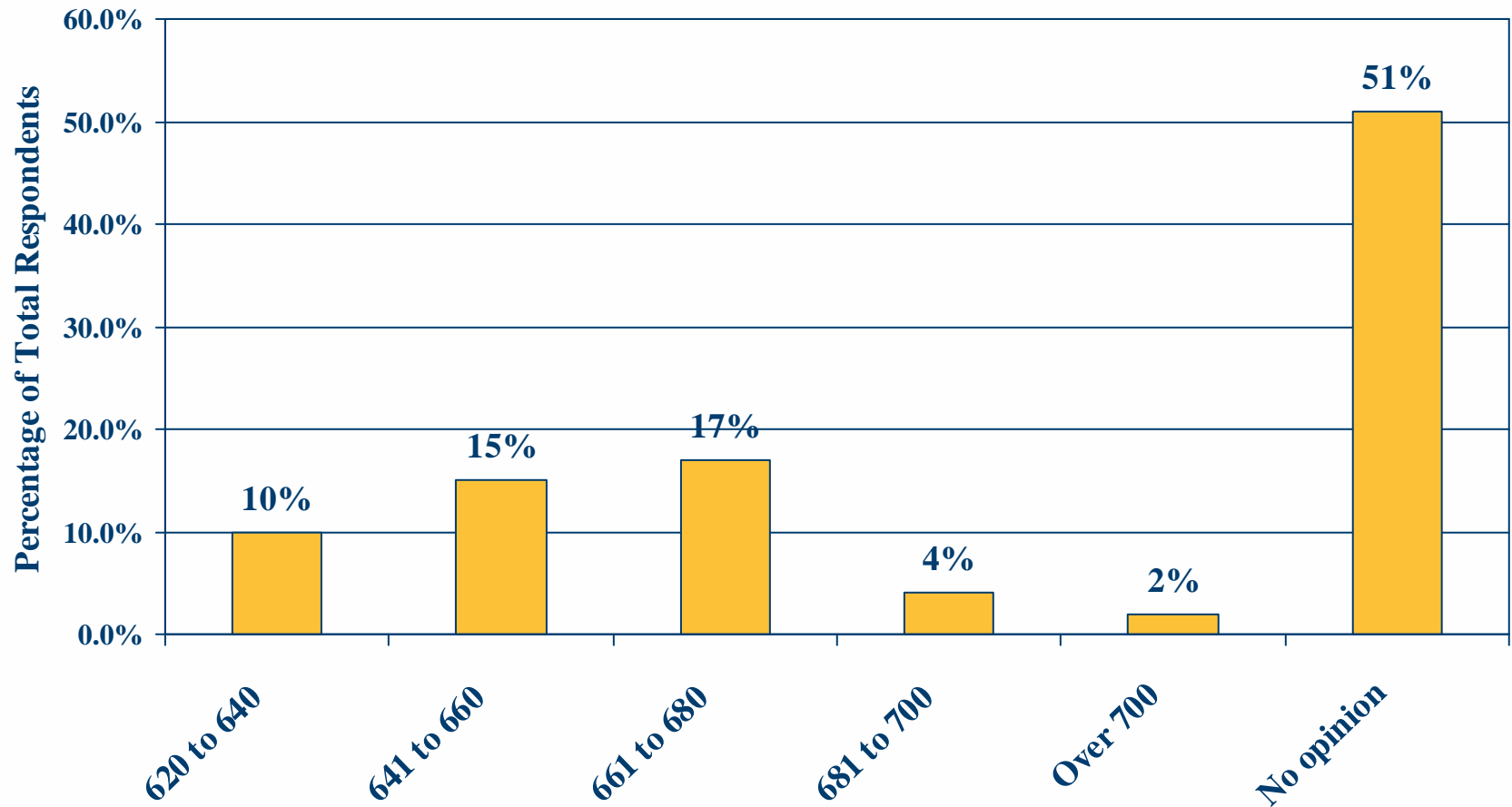


2-Year Public



Survey Question #2: How is your institution adjusting its student/family payment policies in light of the economic environment?

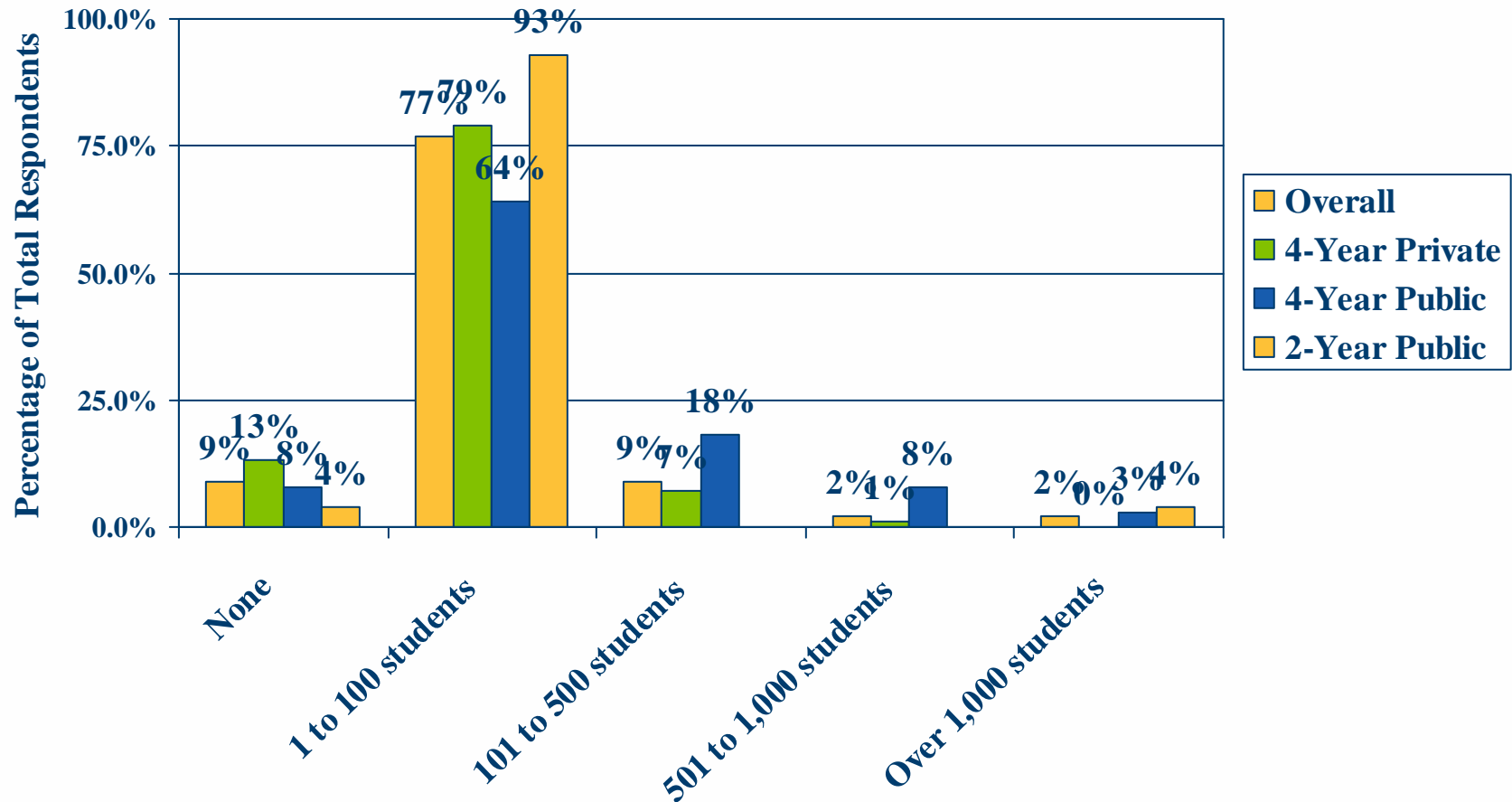
SLA Survey: Alternative Loan Availability FICO Cutoff Scores



Survey question #5: Based on your conversations with parents and lenders, what do you believe is the minimum FICO score required for approval of private loans for the 2008-09 school year?

SLA Survey: Alternative Loan Availability

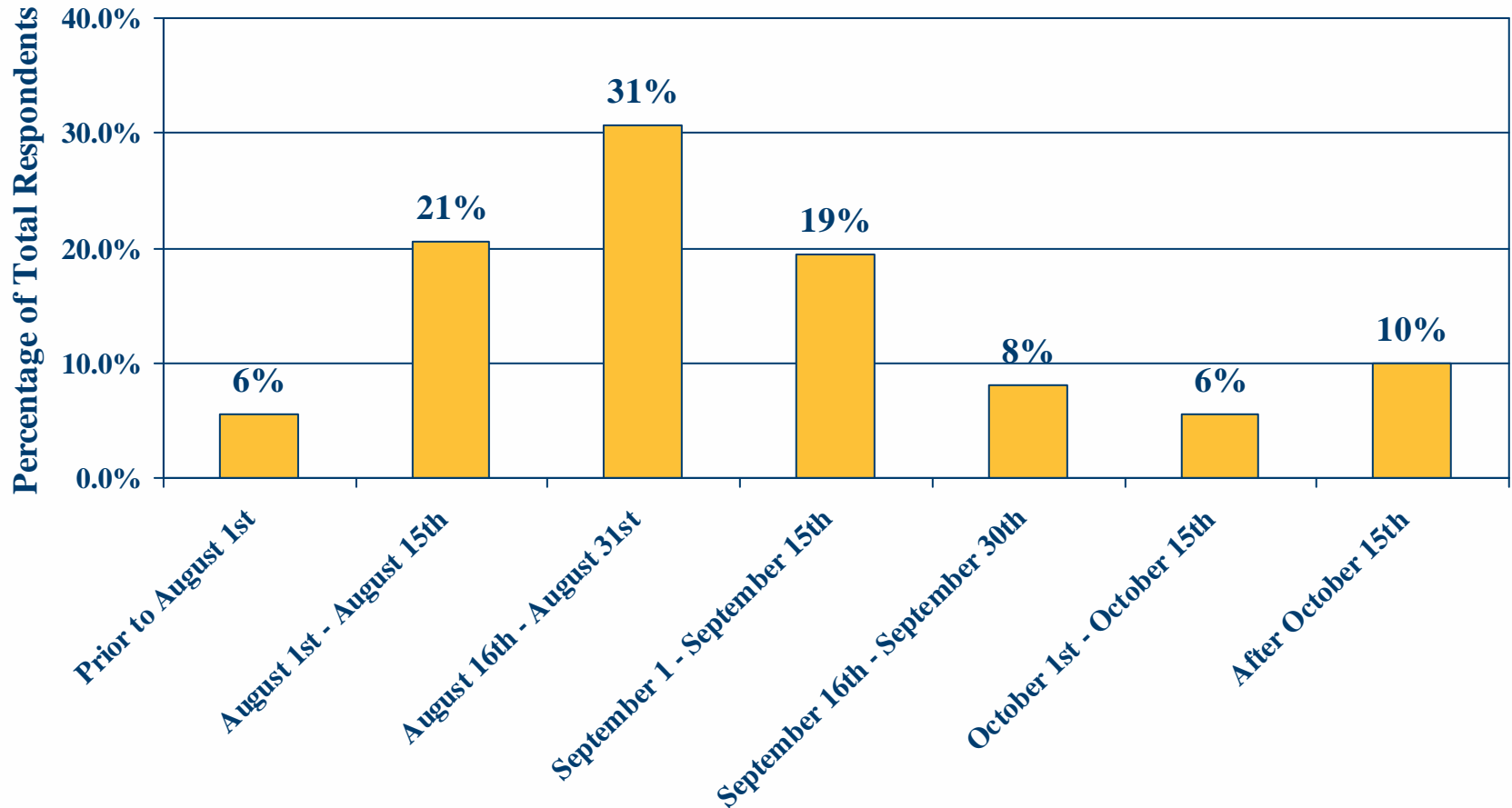
Number of Students Impacted



Survey question #4: What is the estimated number of students at your institution who have contacted your office with issues regarding private loan approvals?

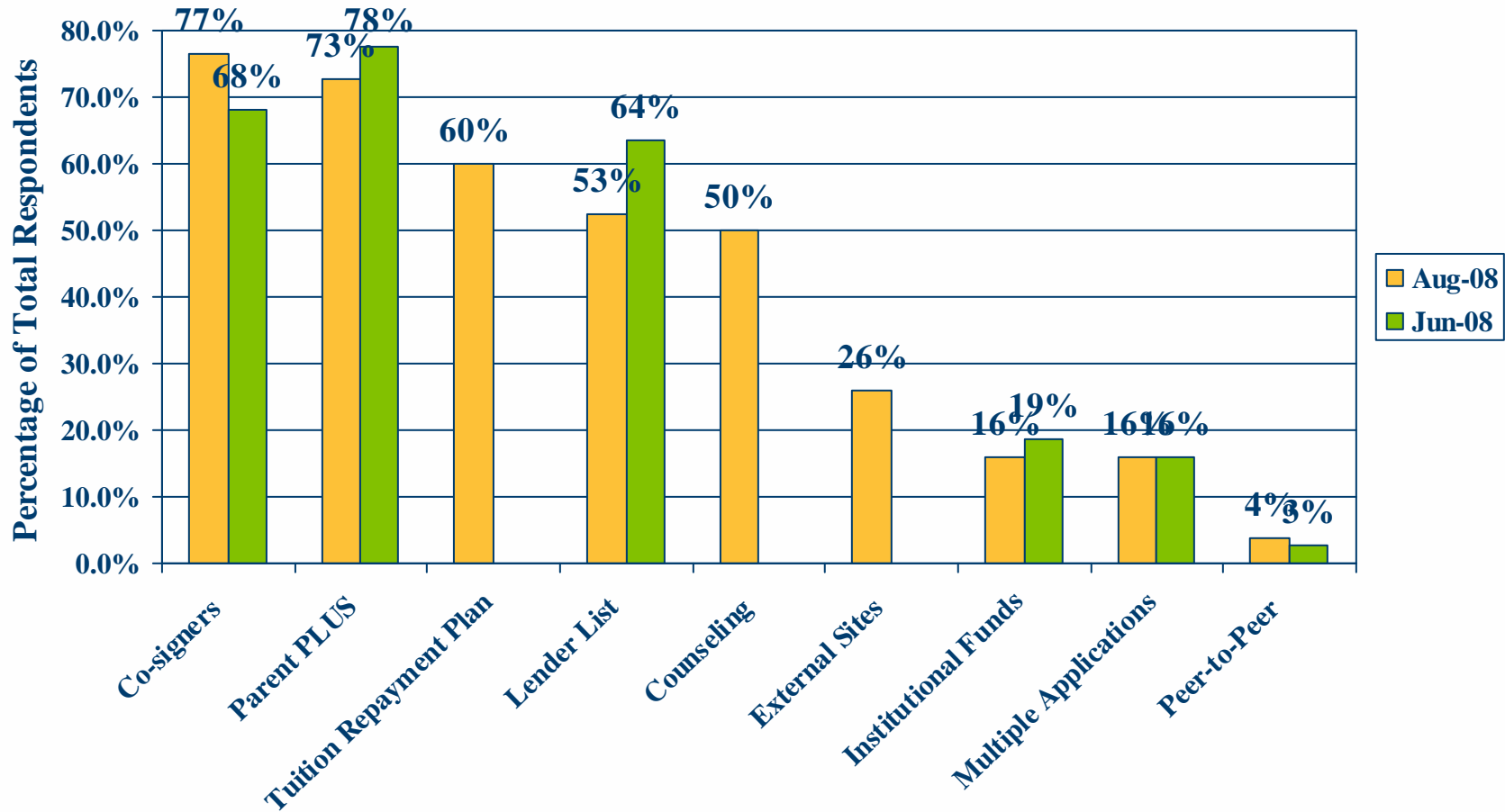
SLA Survey: Alternative Loan Availability

Tuition Payments Due Date



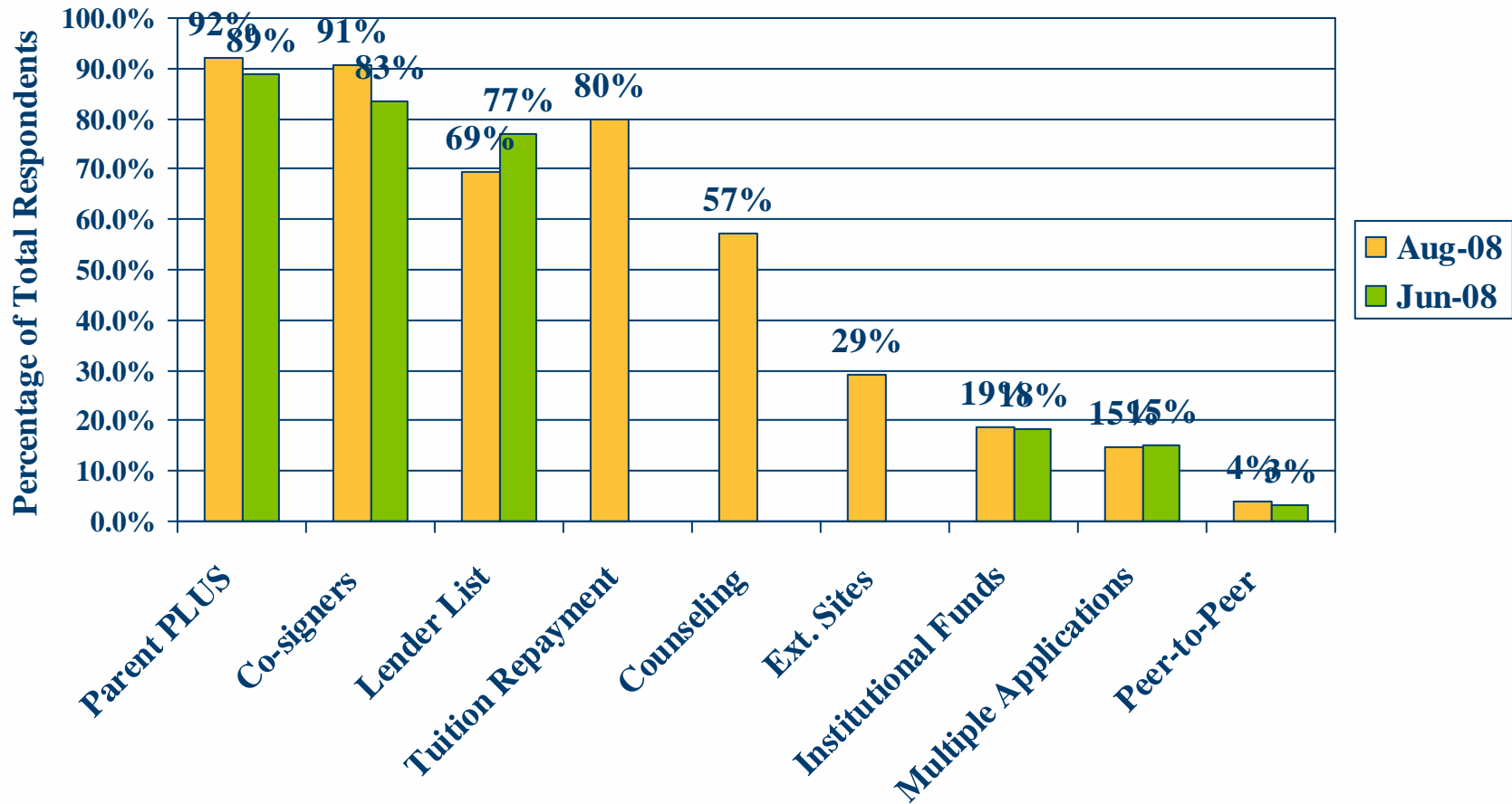
Survey question #1: When are tuition payments considered past due at your institution for the upcoming academic period?

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



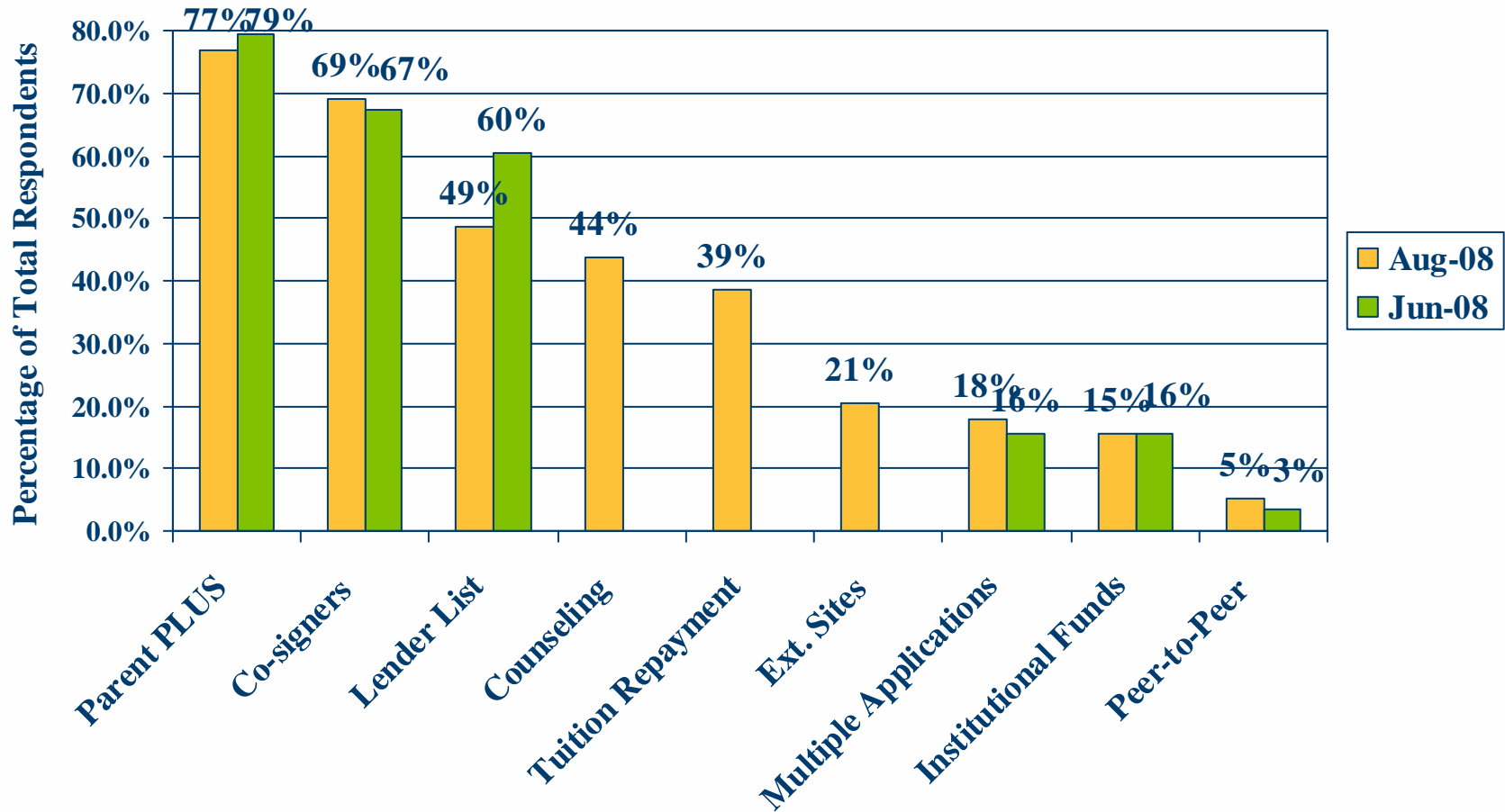
Survey question #6: What are your current strategies to help students find ALTERNATIVE loans for the 2008-09 school year?

SLA Survey: Alternative Loan Availability Strategies Utilized By 4-Year Private Schools



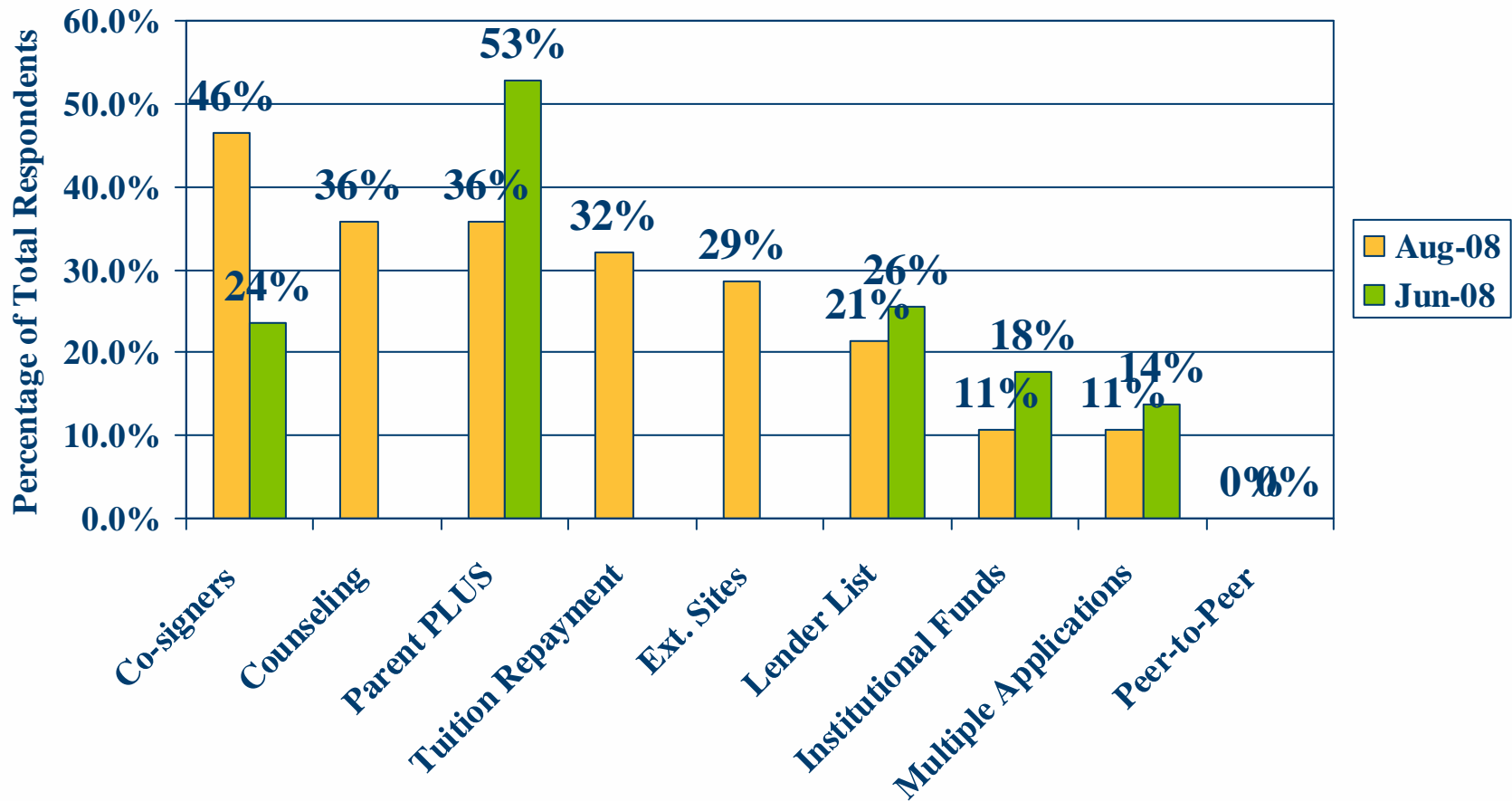
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SLA Survey: Alternative Loan Availability Strategies Utilized By 4-Year Public Schools



Survey question #6: What are your current strategies to help students find ALTERNATIVE loans for the 2008-09 school year?

SLA Survey: Alternative Loan Availability Strategies Utilized By 2-Year Public Schools



Survey question #6: What are your current strategies to help students find ALTERNATIVE loans for the 2008-09 school year?

SLA Survey: Alternative Loan Availability

Other Approaches/Tips

- Survey respondents provided list of other alternatives or tips for prospective alternative loan borrowers
 - “Do a financial aid appeal (if they have a legitimate case) in an attempt to reduce the student's EFC. This would allow other need-based aid and hopefully not so much reliance on alternative loans.”
 - “As part of new student registration process, we have sessions with parents to explain funding options, explaining the advantages and disadvantages to each (deferred payment plan, PLUS and alternative loans).”
 - “Begin with evaluating their situation to determine if there has been a change the warrants additional institution grants.”
 - “Our University has a credit union that has worked hard to make sure an alternative loan program remains available for our students.”

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 including an upcoming survey on measuring customer service
- 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
 - Proprietary surveys to measure lender customer service in objective way
 - To Financial Aid offices
 - To Student borrowers
 - Web site information and activities
 - Financial modeling of borrower benefits to provide “apples to apples” comparison
 - Probability analysis
 - Net Present Value calculations

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
 - 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