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TAKING AN ACTIVE ROLE IN STUDENT LOAN COUNSELING: THE PROS AND CONS OF A PREFERRED LENDER ARRANGEMENT

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Tuesday, April 25, 2017

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AGENDA

- The Value of a Preferred Lender List
- Understanding Preferred Lender Arrangements
- Types of Preferred Lender Lists and Best Practices

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Common Ground: HEOA and Counseling Families

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The Value of a Preferred Lender List

- Allows families to benefit from the objective research you perform when you select lenders for your school's preferred lender list
- A list can help students and families make smart, informed decisions based on your researched list of credible and responsible lenders
- Important tool for counseling students on their gap financing options and helping them identify the lender that offers the best combination of value and service for them

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The Value of a Preferred Lender List (cont.)

- Recent reports and proposed legislation have encouraged schools to enhance their student loan counseling efforts to ensure that students are aware of their options and encourage responsible borrowing

- The Department of Education and the Consumer Financial Protection Bureau (CFPB) have partnered to develop the Financial Aid Shopping Sheet as a model form for schools to use in helping educate families

- Provides choices/options for families to determine the best gap financing option for their particular situation

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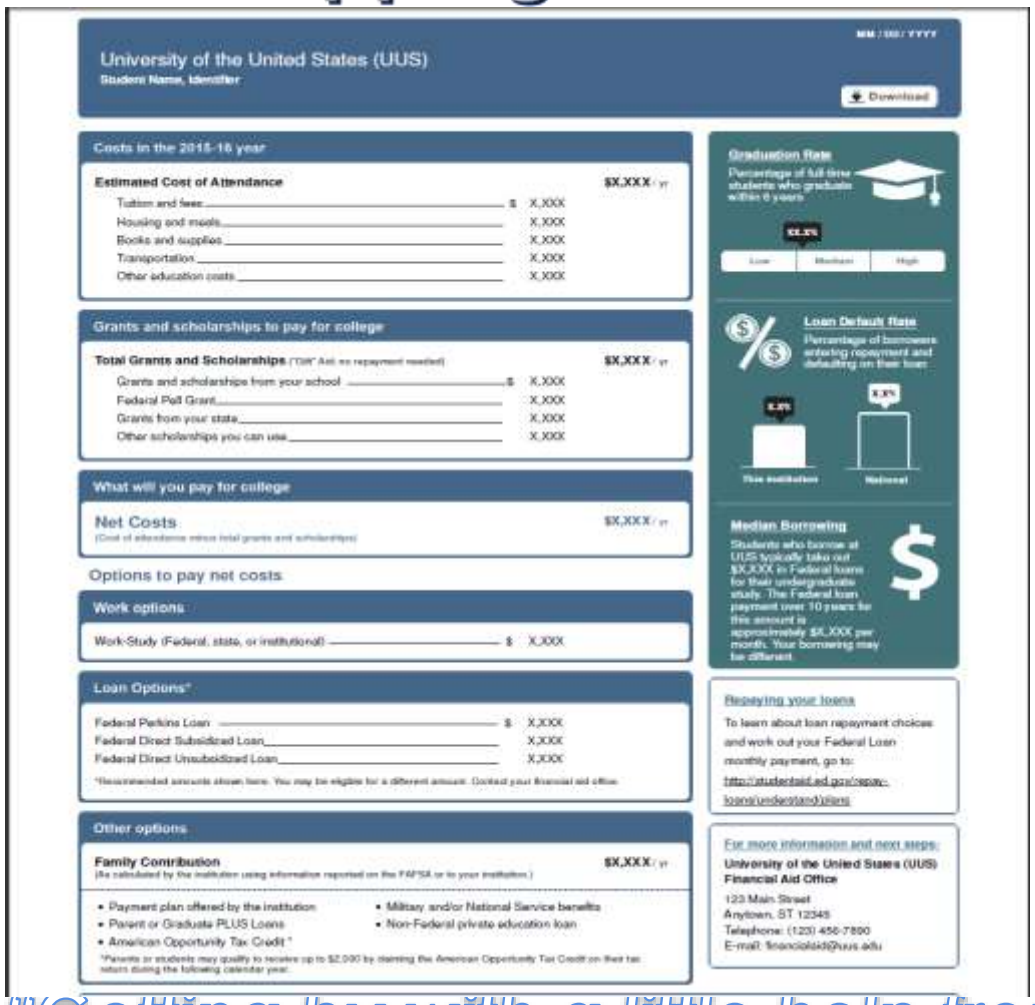
Financial Aid Shopping Sheet



University of the United States (UUS)

Student Name, Identifier

MM / DD / YYYY

Download

Costs in the 2015-16 year

Estimated Cost of Attendance — $X,XXX / yr

Tuition and fees	$ X,XXX
Housing and meals	X,XXX
Books and supplies	X,XXX
Transportation	X,XXX
Other education costs	X,XXX

Grants and scholarships to pay for college

Total Grants and Scholarships ("Gift" Aid, no repayment needed) — $X,XXX / yr

Grants and scholarships from your school	$ X,XXX
Federal Pell Grant	X,XXX
Grants from your state	X,XXX
Other scholarships you can use	X,XXX

What will you pay for college

Net Costs — $X,XXX / yr

(Cost of attendance minus total grants and scholarships)

Options to pay net costs

Work options

Work-Study (Federal, state, or institutional)	$ X,XXX

Loan Options*

Federal Perkins Loan	$ X,XXX
Federal Direct Subsidized Loan	X,XXX
Federal Direct Unsubsidized Loan	X,XXX

*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.

Other options

Family Contribution — $X,XXX / yr

(As calculated by the institution using information reported on the FAFSA or to your institution.)

- Payment plan offered by the institution
- Parent or Graduate PLUS Loans
- American Opportunity Tax Credit *
- Military and/or National Service benefits
- Non-Federal private education loan

*Parents or students may qualify to receive up to $2,500 by claiming the American Opportunity Tax Credit on their tax return during the following calendar year.

Graduation Rate

Percentage of full-time students who graduate within 6 years

X.X%

Low | Medium | High

Loan Default Rate

Percentage of borrowers entering repayment and defaulting on their loan

X.X% — This institution

X.X% — National

Median Borrowing

Students who borrow at UUS typically take out $X,XXX in Federal loans for their undergraduate study. The Federal loan payment over 10 years for this amount is approximately $X,XXX per month. Your borrowing may be different.

Repaying your loans

To learn about loan repayment choices and work out your Federal Loan monthly payment, go to: http://studentaid.ed.gov/repay-loans/understand/plans

For more information and next steps:

University of the United States (UUS)
Financial Aid Office
123 Main Street
Anytown, ST 12345
Telephone: (123) 456-7890
E-mail: financialaid@uus.edu

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The Benefits of a Preferred Lender List

Benefit	No List	Historical List	Preferred Lender List
Allows schools to act as an advocate for families, providing relevant and meaningful lender and product information in one consolidated source.	✗	✗	✓
Assists students through the entire student loan process from start to finish.	✗	✗	✓
Allows schools to counsel their families on the financing options available to them.	✗	✗	✓
Gives families the opportunity to compare products in a consistent manner.	✗	✗	✓
Helps families navigate a school's preferred process, from application to certification and disbursement.	✗	✗	✓

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Understanding Preferred Lender Arrangements

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Understanding Preferred Lender Arrangements

A preferred lender arrangement may exist if the school:

- Recommends, promotes or endorses a lender—even if that recommendation is not in the form of a lender list
- Refers their students to a 3rd party entity that manages a listing of private lenders on behalf of the school
- Provides a list of lenders that is not a neutral, comprehensive list

REMINDER
A preferred lender arrangement is *not limited* to activities of the financial aid office. Rules may apply to activities of other offices on campus or affiliated organizations.

Understanding Preferred Lender Arrangements (Cont.)

Scenarios which may NOT be considered a preferred lender arrangement:

- If a school provides a neutral, comprehensive list of lenders who provided loans at the school in the past
  - This is often referred to as a historical list of lenders
  - The school cannot use judgment regarding which lenders to include on the list and the school cannot rank, recommend, promote, or endorse any of these lenders
  - It must also reference that a student is free to choose any lender

- If a school refers its students to a third-party entity that maintains a comprehensive, neutral listing of private education lenders
  - The school must ensure that the listing is broad in scope and cannot endorse or recommend any of the lenders on the list
  - The lenders on the list cannot pay the 3rd party entity to be placed on the list or pay the 3rd party entity a fee based on any loan volume generated

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Myths Regarding Preferred Lender Lists

Common Misconceptions	The Reality
There is enough online information to help students make informed decisions.	The school's website can provide a single source to help students and their families find information that is otherwise spread out throughout the Internet.
All lenders offer similar pricing and benefits, so there's no reason to recommend one over another.	Many lenders offer benefits beyond the traditional automatic debit benefit and those benefits vary by lender. Interest rates and fees can also vary significantly by lender —with some lenders even offering fixed and variable rate loan options.
Having a preferred lender list will not provide the school with any efficiencies.	Preferred lender lists drive students through the school's preferred process, resulting in a smoother certification and disbursement process.
Loan programs made by state agencies are exempt from HEOA lender list guidelines.	The state funded programs are only excluded from the Preferred Lender Arrangement guidelines if the terms and conditions of the loan include a loan forgiveness option for public service.
Too much work and requirements for me to put a PLL together for my students.	Third party entities provide all the work and resources to set up and maintain your PLL ((i.e. ELM and Great Lakes). Lenders provide the required loan disclosures to schools.
Don't want to be viewed as endorsing one lender over another.	Families depend on schools to give them information to help them make informed decisions

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Types of Preferred Lender Lists

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Maintaining a Preferred Lender List

The HEOA formalized many of the best practices schools are following today.

HEOA Lender List Requirements:

- Disclose to families the method, criteria rationale used in selecting lenders with which you have a "Preferred Lender Arrangement" (PLA)
- Provide the Truth in Lending Act (TILA) information for each lender listed
- List at least two unaffiliated lenders and describe any relationship a lender may have with another lender on your list
- Remind students and families that they may have access to free or lower cost federal loan options
- Differentiate private loan information from Title IV loan information
- Disclose that students do not have to borrow from a lender on the preferred lender list
- Consider using a 3rd party provider such as ELM Select or Fast Choice. They can simplify the process even more by providing an online lender list tool. Once you select your lenders, they work with the lenders directly to obtain up-to-date content and host the site

* HEOA Lender List Requirements are provided for informational use only. Please consult with legal counsel to ensure compliance with HEOA.

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Differentiating Private Loan Lenders

Schools should also consider the following when selecting a private loan provider to be included on a preferred lender list:

- What is the provider's financial strength and longevity in the industry?
- Do they have superior customer service for families?
- Do they have an account management team?
- Are there low cost funding options and a choice between fixed and variable rates available?
- Is pricing available that rewards applicants who have maintained good credit?
- Does the lender offer a variety of in-school repayment options and help educate families on the impact of their decision?
- Are they fully HEOA compliant in their online loan delivery process?
- Do they have an electronic self-certification process?
- Does the program require school certification?
- Does the lender conform to the schools preferred method of loan certification and disbursement?

While it is not required, many schools find it helpful to issue an RFI. This allows you to hone in on the topics that are important to you in selecting a lender.

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Lender List Best Practices

Disclose to your students:

- Sufficient information that will allow families to make an educated decision
- The criteria used to select the lenders on your list (school specific lender lists)
- A statement that your office maintains a position of non-preference toward any particular lender on the list (historical lender lists)
- The TILA information for each lender
- That students may choose a lender of their choice and are not obligated to choose from your lender list

Remind students to:

- Maximize free money and federal loans before using private loans
- Carefully compare lenders and review all terms and conditions before applying
- Compare overall costs of each loan program before applying, including fees and interest rates

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Lender List Best Practices (Cont.)

Provide:

- Information on federal loans
- An overview of the private loan application process, including information about HEOA disclosures and the self-certification form
- A list of sample questions students may want to ask a lender
- A timeline of when to shop and when to apply

- Provide a link to your lenders websites so that you don't have to update private loans terms as conditions may change periodically
- Keep the number of clicks to the lender information to a minimum

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Legislative and Regulatory Sources

- 20 U.S.C.A. § 1019, 1019a, 1019b, & 1019c
- 20 U.S.C.A. § 1094
- 34 C.F.R. § 601.1 - 601.30
- 34 C.F.R. § 668.14(b)(28)
- 15 USC sec. 1601
- 12 CFR part 1026

Note: This document is provided for informational purposes only and does not constitute legal advice. Consult with your school's legal counsel prior to constructing or updating its preferred lender list.

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WELLS FARGO
KHEAA
SALT
Blackboard
ReliaMax
Helping lenders help students
campuslogic
CU LEARN with THRIVENT
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College AVE STUDENT LOANS
ECMC
FAS Financial Aid Services
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