

NSLP Education on FFELP Fees for Schools



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Today's agenda

- Impact of College Cost Reduction and Access Act (CCRAA)
- Benefits to borrowers in FFELP
- Student Origination Fee
- Federal Default Fee

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Impact of CCRAA

- Elimination of Exceptional Performer Status
 - default claims now paid at 97% of loan
 - reduces to 95% Oct. 1, 2011
- Impact to claims review process
- Time to return payment on claim

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Impact of CCRAA – Lender

- Cuts to SAP
 - for-profit lenders reduction of 55 basis points
 - not-for-profit lenders reduction of 40 basis points
- Increase lender loan fee from .5% to 1.0%
- PLUS Loan auction pilot (7/09)
- Public service forgiveness in DL only (7/08)
- Income-based repayment program (7/09)

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Impact of CCRAA – Lender

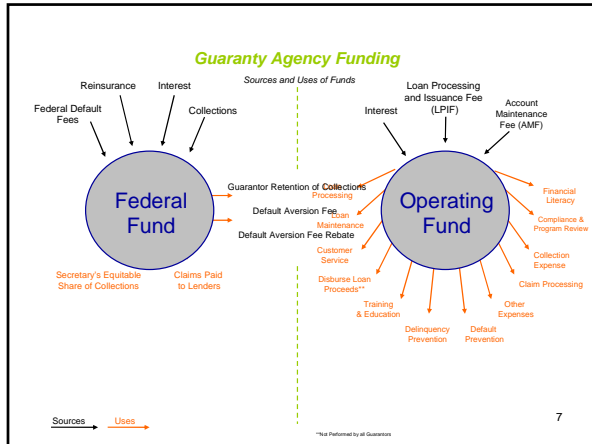
- Cuts to SAP
- Stafford loan valuation
 - pre 10/1/07 Stafford Loan Value 3.66%
 - origination fee increase 50 bps 3.16%
 - insurance cut 25 bps 2.91%
 - SAP margin cut by 55 bps 131bps 1.60%
- No borrower benefits
- No origination fee benefits

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Impact of CCRAA – Guarantor

- Retention on collections reduced from 23.0% to 16.0%
- Reduction in Account Maintenance Fee from 10 basis points to 6 basis points

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Impact of CCRAA – Guarantor

- AMF reduction impact to NSLP
 - 40% reduction in AMF revenue
 - \$ 4.0 MM loss of revenue
- Collection cost reduction impact to NSLP
 - 30% reduction in collection cost revenue
 - \$ 1.0 MM loss of revenue

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Impact of CCRAA – School

- Undergraduate Stafford subsidized interest rate reduction
 - July 1, 2008 interest rate will be 6.0%
- PLUS auction pilot
- Preferred lender lists
 - determination
 - minimum
 - support for decision
 - process all requests
- Keeping up with offers
- Alternative loans and reporting in aid
- New grant programs (TEACH)

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Loan origination fees for borrower

- Stafford loans

	FFELP Borrower Origination Fee	FFELP FDF	Direct Loan Fees
2008	1.0%	1.0%	2.0%
2009	0.5%	1.0%	1.5%
2010	0.0%	1.0%	1.0%
2011	0.0%	1.0%	1.0%

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Stafford Loan valuation

- \$ 3,500 Loan

Loan	Interest	Total Financed (Principal + Interest)
No benefit	\$ 971.02	\$ 4,471.02
.25 IR benefit	\$ 921.84	\$ 4,421.84
Savings	\$ 49.18	\$ 49.18
FDF	\$ 35.00	

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Loan origination fees for borrower

- Grad PLUS

	FFELP Borrower Origination Fee	FFELP FDF	Direct Loan Fees
2008	3.0%	1.0%	4.0%
2009	3.0%	1.0%	4.0%
2010	3.0%	1.0%	4.0%
2011	3.0%	1.0%	4.0%

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Loan origination fees for borrower

- PLUS

	FFELP Borrower Origination Fee	FFELP FDF	Direct Loan Fees
2008	3.0%	1.0%	4.0%
2009	3.0%	1.0%	4.0%
2010	3.0%	1.0%	4.0%
2011	3.0%	1.0%	4.0%

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Federal Default Fee

- NSLP offers reduction in FDF
 - split on fee between NSLP and borrower
 - NSLP 50 bps / borrower 50 bps
 - NSLP commitment costs \$ 13.25 Million in FY 2008
 - lender may cover borrower 50 bps; not a requirement for student to receive NSLP's portion of the fee
- Loans guaranteed from 2/1/08 to 6/30/09
- Stafford, Grad PLUS, PLUS
- Benefit to borrower
 - no requirements

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Questions



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More information

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