



Student Lending Analytics

Flash Survey: Trends in FFEL and Direct Lending

October 27, 2008

The lender ratings contained in this presentation are provided by Student Lending Analytics, LLC as a service to you for your noncommercial, personal use on an "as is, as available" basis and may be used by you for information purposes only. Ratings herein provided are based entirely on flash survey responses from financial aid administrators.

SLA Flash Survey: Trends in FFEL and DIRECT Lending Background

Situation

- Ongoing financial crisis has led to major shifts in the FFELP market
 - Significant number of lenders have exited the market
 - Borrower benefits declining
 - Significant headcount reductions at all lenders
- Conversations with financial aid administrators indicate heightened interest in considering Direct Lending

Survey Goals

- Determine prevalence of schools considering a shift to Direct Lending
- Ascertain reasons behind school's decision on whether to remain in FFEL or move to Direct Lending

SLA Flash Survey: Trends in FFEL and DIRECT Lending Methodology

- Emailed flash survey on October 21, 2008 with due date of October 24, 2008.
- In addition to demographic questions, the survey asked respondents the following questions
 - Which description most accurately describes your school's federal student loan plans for the 2009-10 school year?
 - We remain committed to FFELP and have not considered a move to Direct Lending.
 - We are a FFELP participant and currently contemplating a move to Direct Lending.
 - We have contemplated a move to Direct Lending (in the last 6 months) but expect to remain a FFELP participant.
 - We are currently a FFELP participant and have made the decision to go the Direct Lending route for 2009-10.
 - We are currently a Direct Lending school and plan to remain so.
 - We are currently a Direct Lending school and have decided to become a FFELP participant for the 2009-10 school year.
 - Other

SLA Flash Survey: Trends in FFEL and DIRECT Lending Methodology (Cont.)

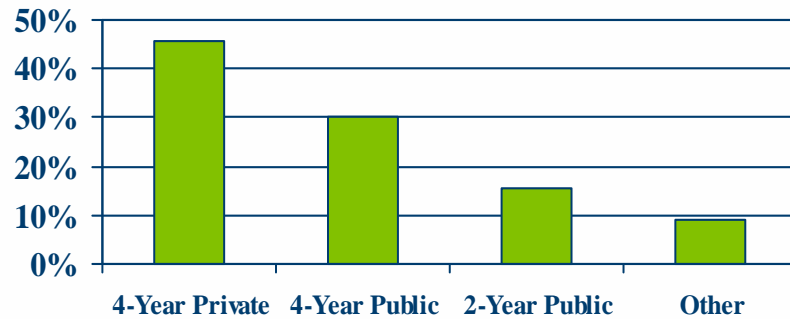
- Depending on the response to this question, respondents were given a choice of answering one of the following two questions
 - Please indicate the importance of each factor in your school's decision to remain a participant in FFELP.
 - What are your current intentions regarding your lender selection process for the 2009-10 academic year?
 - Please indicate the relative importance of each factor in your decision to switch to Direct Lending (or to consider making the switch).
 - When do you anticipate making a final decision about whether or not to move to Direct Lending?
 - Describe your level of satisfaction with the Direct Lending program for each of the factors described below.

- 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

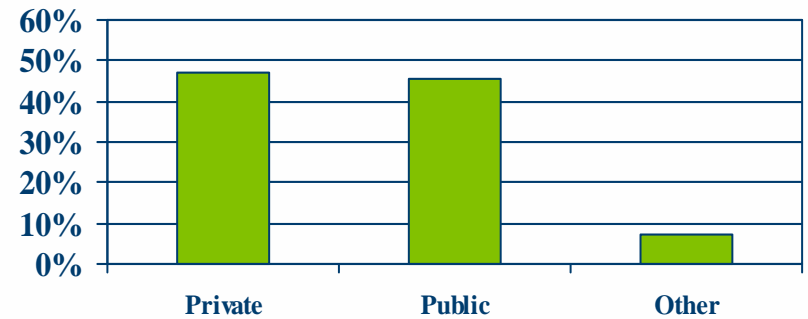
- Overall, there were 416 survey responses analyzed

SLA Flash Survey: Trends in FFEL and DIRECT Lending Profile of Survey Participants

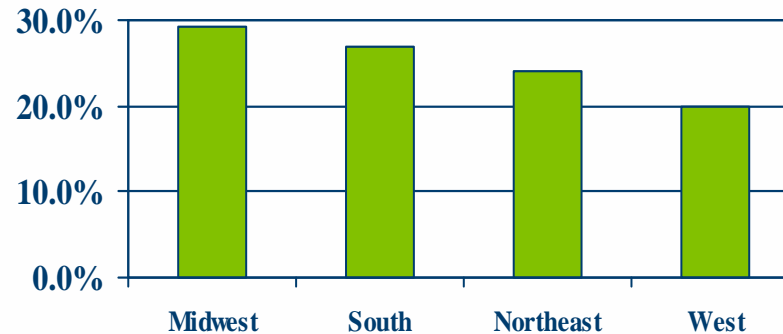
School Type



School Ownership



School Region



SLA Flash Survey: Trends in FFEL and DIRECT Lending FFELP Participants

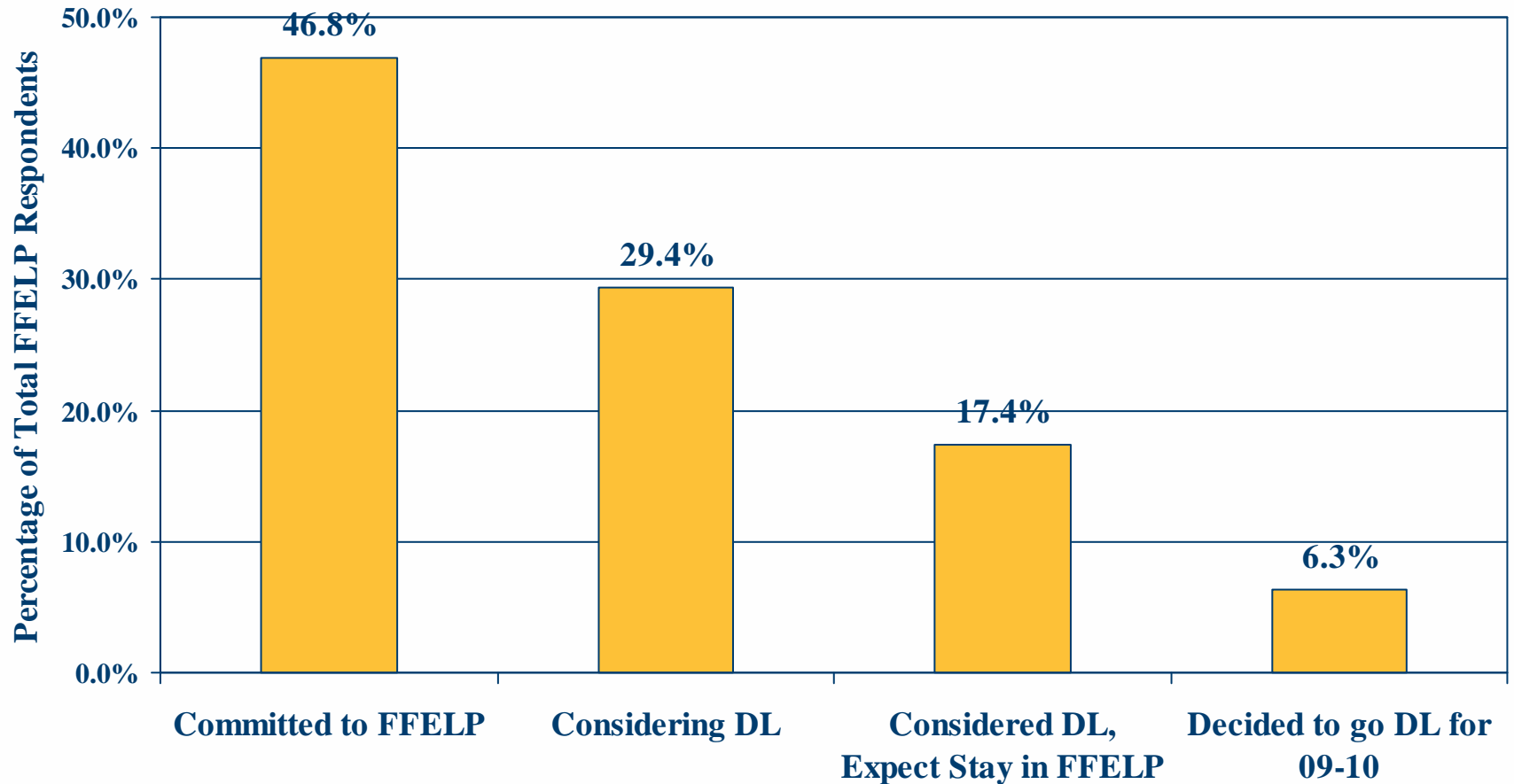
- Over 35.7% of FFELP respondents indicated that they are considering a switch to Direct Lending (29.4%) or have already committed to making the change for the 2009-10 academic year (6.3%).
 - Based on current estimates for 2008-09 of a 65%/35% split between FFELP and DL, the survey results make it increasingly likely that DL will be in the majority for 2009-10.
 - If just over half of the FFELP institutions (57.1% to be exact) considering a switch today move to DL, then DL would be in the majority.
- Among school profiles, almost 1 in 3 four-year private institutions (31.8%) and 4-year public institutions (31.2%) are considering a switch to Direct Lending
 - Just over 1 in 5 two-year publics (22.2%) are considering making a change to DL.
- 10.4% of 4-year public institutions have already decided to move to Direct Lending for the 2009-10 academic year.

SLA Flash Survey: Trends in FFEL and DIRECT Lending FFELP Participants

- In terms of reasons for staying with the FFELP program, customer service (4.56) and borrower benefits (4.25) were the most important factors.
 - Previous experience with Direct Lending was the least important factor with rating of 2.09 (Not Very Important)
- For those committed to the FFELP program, just over 1 in 3 intend (38.7%) to complete a formal RFI process for the 2009-10 academic year
 - 30.4% intend on continuing to use their existing lender list while 11.9% do not intend to utilize a lender list

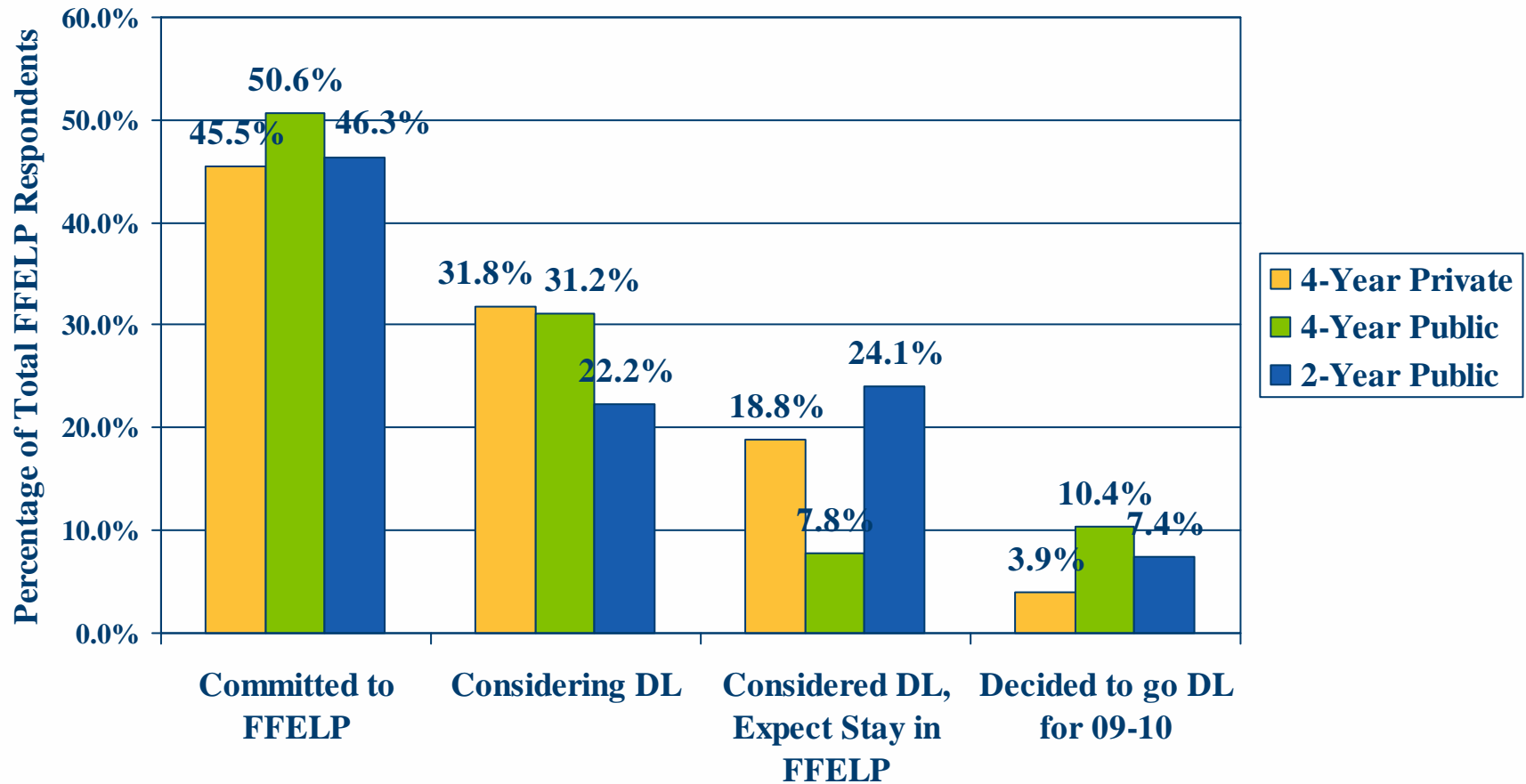
SLA Flash Survey: Trends in FFEL and DIRECT Lending

Current Plans for FFELP Participants (Overall)



Survey question: Which description most accurately describes your school's federal student loan plans for the 2009-10 school year?

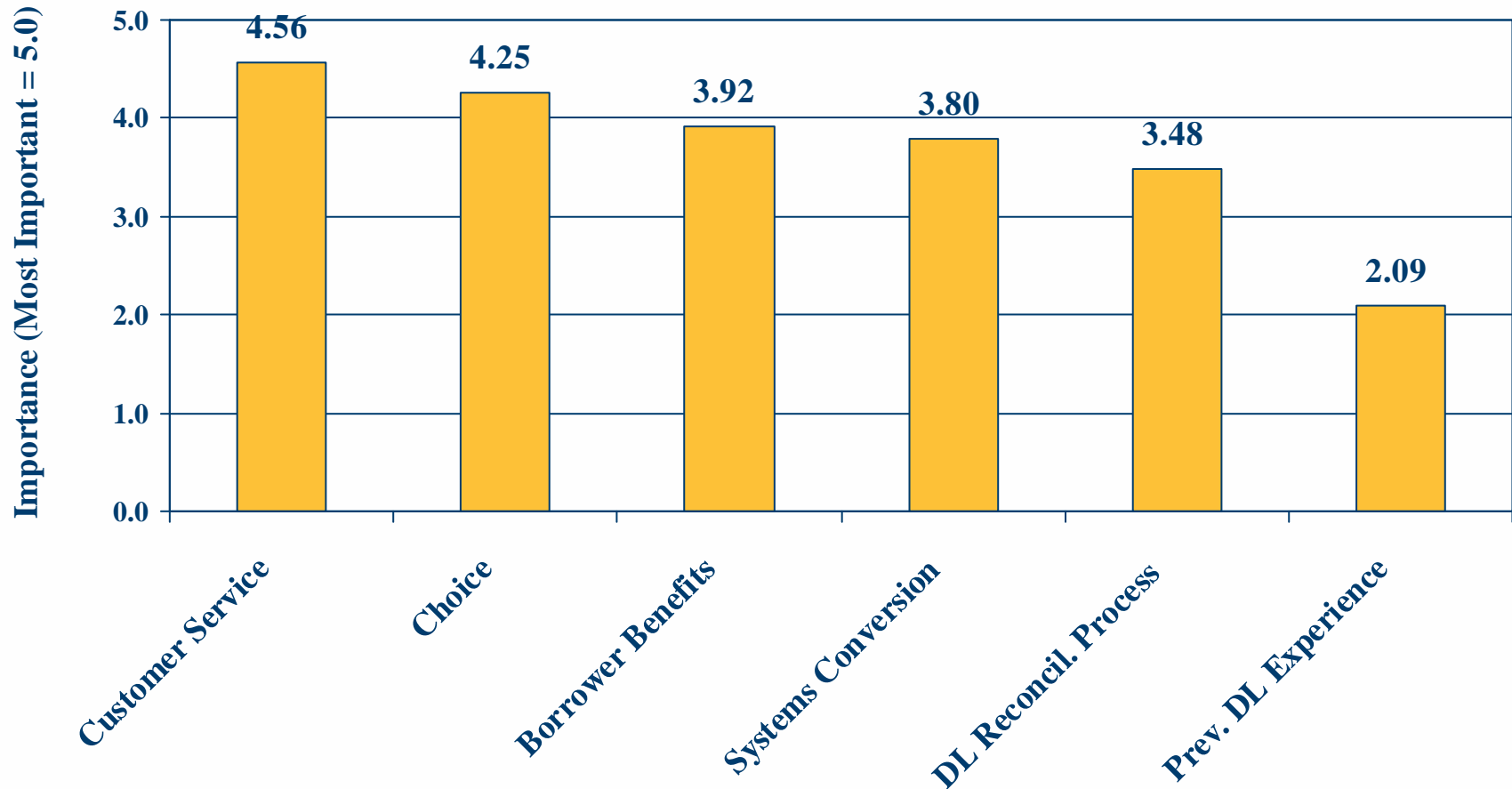
SLA Flash Survey: Trends in FFEL and DIRECT Lending Current Plans for FFELP Participants (By School Type)



Survey question : Which description most accurately describes your school's federal student loan plans for the 2009-10 school year?

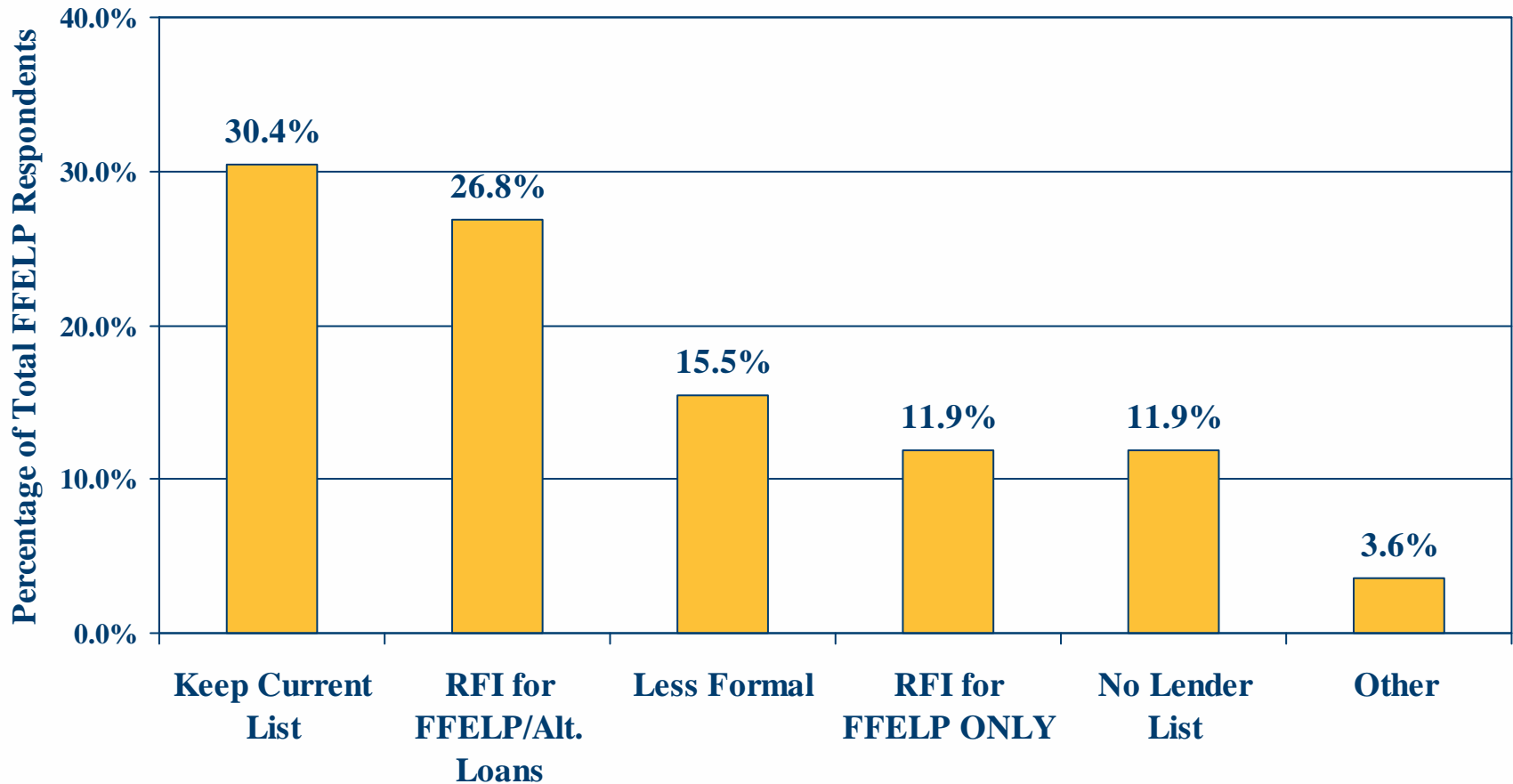
SLA Flash Survey: Trends in FFEL and DIRECT Lending

Reasons for Staying in FFELP Program



Survey question: Please indicate the importance of each factor in your school's decision to remain a participant in FFELP.

SLA Flash Survey: Trends in FFEL and DIRECT Lending Lender Selection Process for FFELP Respondents



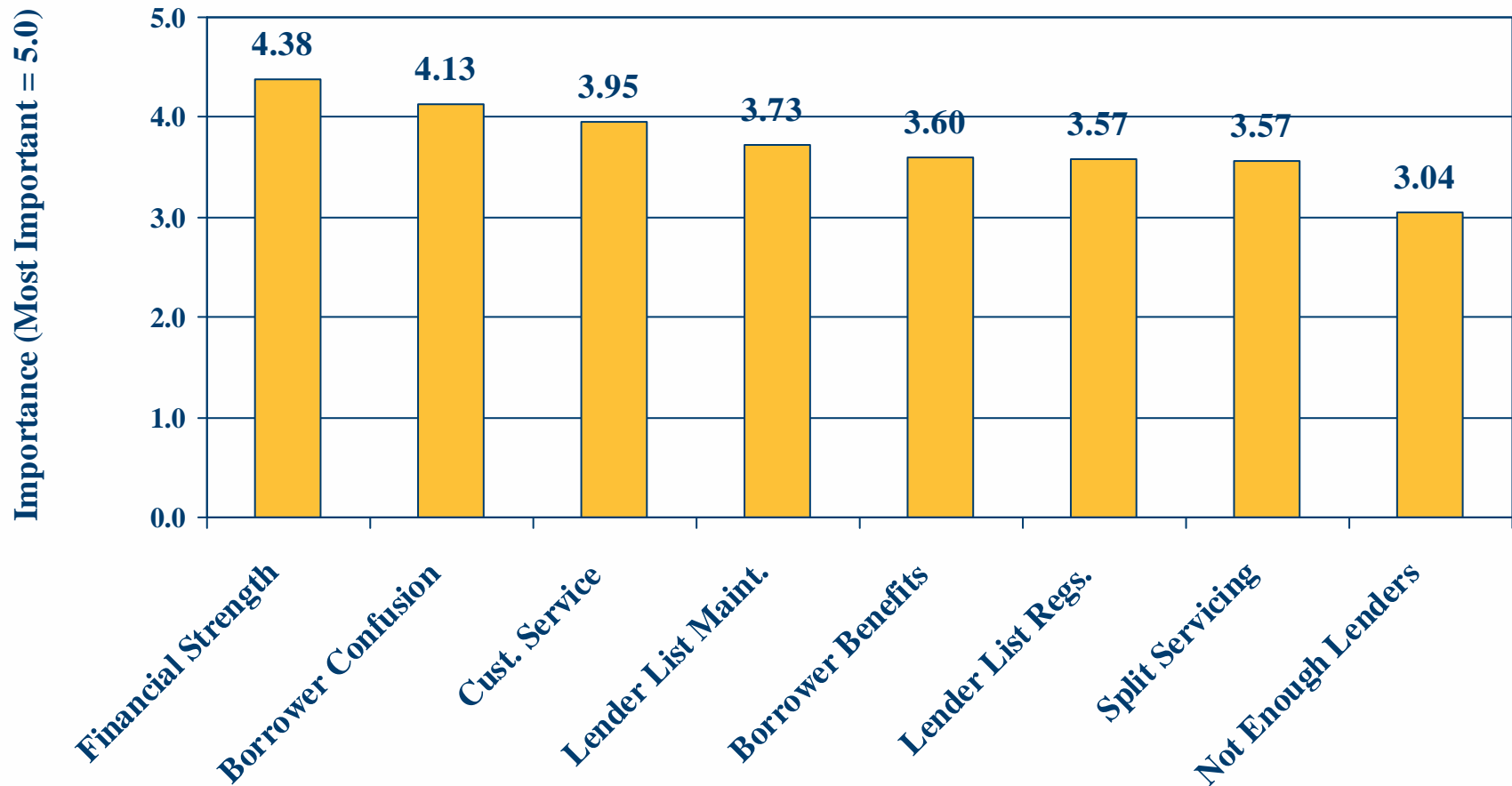
Survey Question: What are your current intentions regarding your lender selection process for the 2009-10 academic year?

SLA Flash Survey: Trends in FFEL and DIRECT Lending Considering Direct Lending

- For those considering a switch (or have made the decision to switch) to Direct Lending, the top three reasons provided were (rating of 4.0 is Very Important):
 - Financial stability of student lenders (4.38)
 - Borrower confusion (4.13)
 - Customer service (3.95)

- Almost 60% (58%) considering a switch intend to have decision made by the end of January 2009.
 - 1 in 3 were not sure of the timing of the decision.

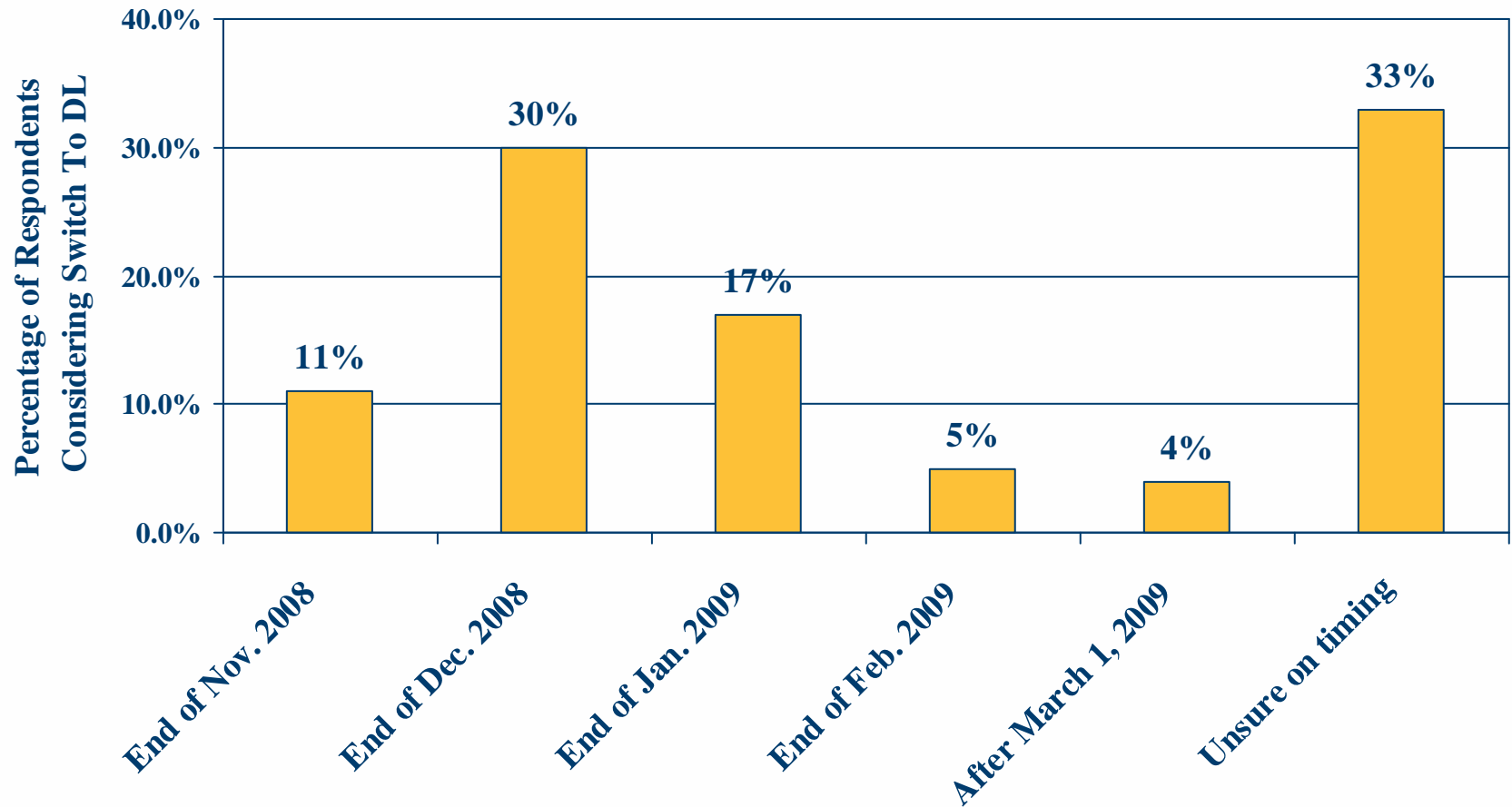
SLA Flash Survey: Trends in FFEL and DIRECT Lending Reasons Considering (or Switching To) DL Program



Survey question: Please indicate the relative importance of each factor in your decision to switch to Direct Lending (or to consider making the switch)

SLA Flash Survey: Trends in FFEL and DIRECT Lending

Timing of Decision on Direct Lending

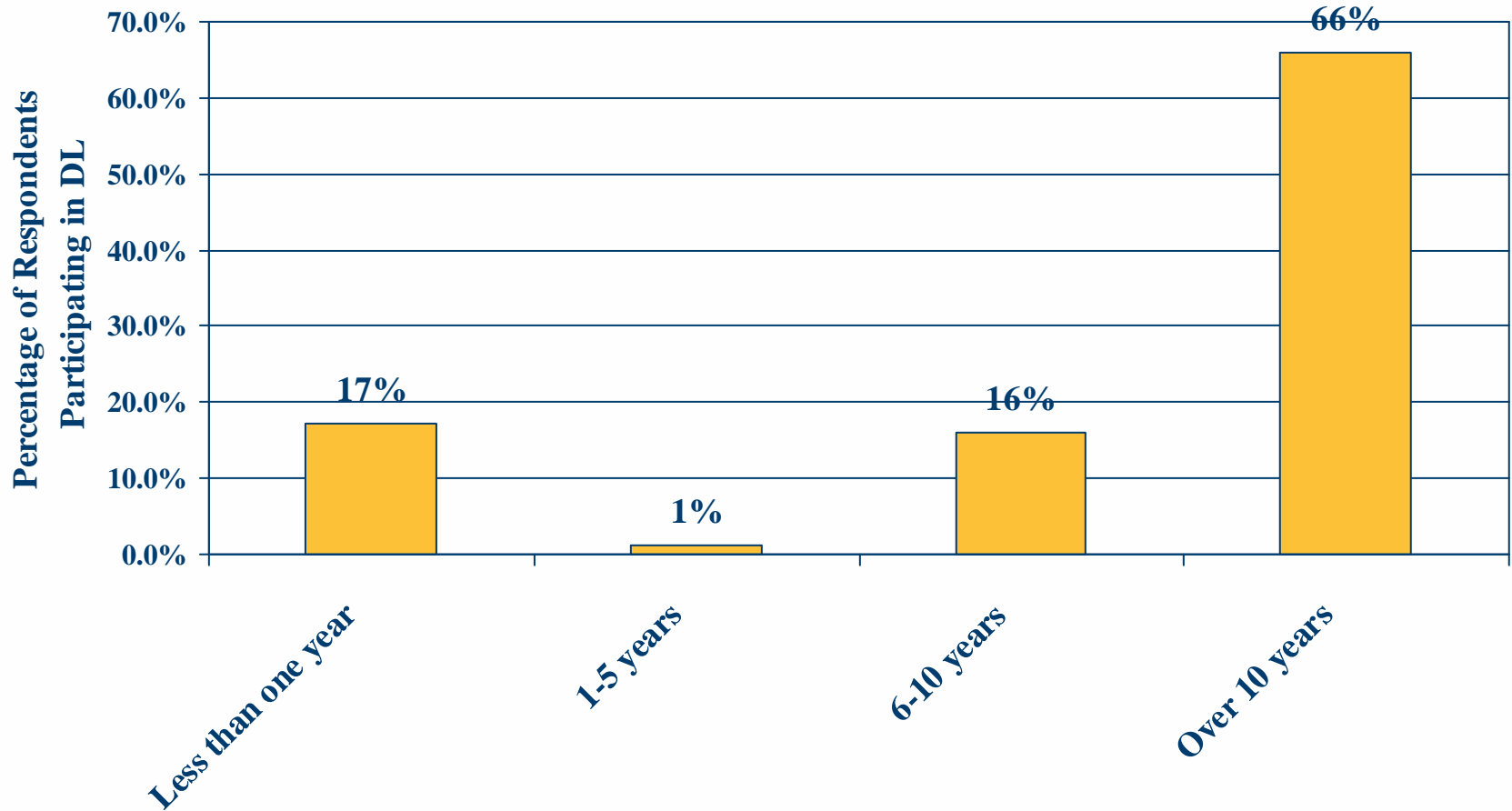


Survey question: When do you anticipate making a final decision about whether or not to move to Direct Lending?

SLA Flash Survey: Trends in FFEL and DIRECT Lending Direct Lending Institutions

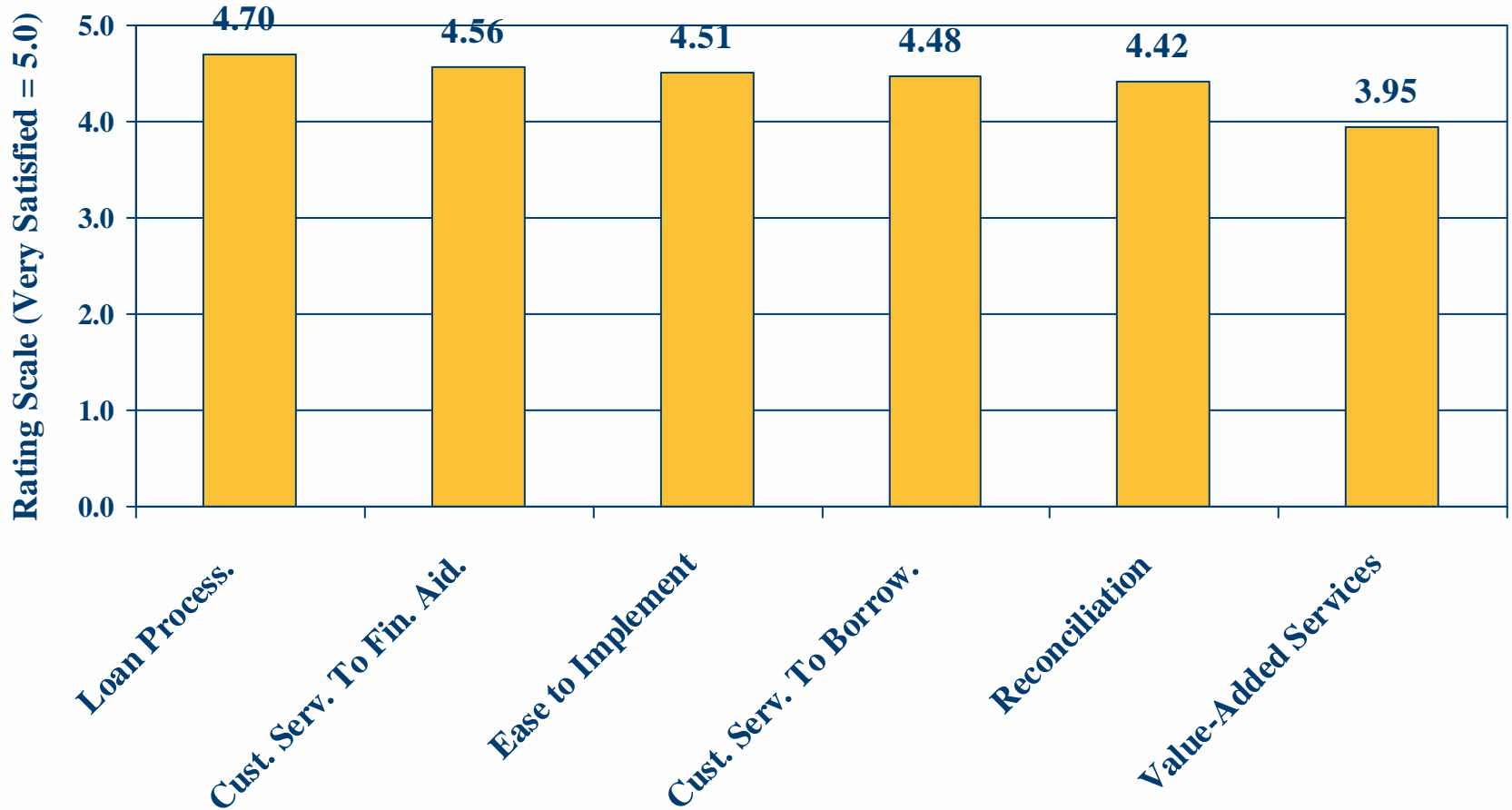
- 2 out of 3 Direct Lending respondents had over 10 years of experience with the DL program
- Overall, Direct Lending respondents indicated a high level of satisfaction with the program
 - Loan processing (4.70) and customer service (4.56) to the financial aid office were ranked highest in terms of satisfaction (Very Satisfied = 5.0)

SLA Flash Survey: Trends in FFEL and DIRECT Lending Years in the Direct Lending Program



Survey question: For what length of time has your school participated in the Direct Lending program?

SLA Flash Survey: Trends in FFEL and DIRECT Lending Satisfaction Ratings for Direct Lending



Survey question: Describe your level of satisfaction with the Direct Lending program for each of the factors described below.

Thank You

- Thank you again for your participation!
- Please contact Tim Ranzetta if you have any additional comments or questions regarding this survey
 - Send email to tranzetta@studentlendinganalytics.com if you would like to receive the comprehensive results with responses and comments for all lenders
 - 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 three slides

Student Lending Analytics Background

- Founded in 2007
- Independent Research and Advisory Service with NO lender affiliations
- Mission: Find best lenders for students through an analytically rigorous and comprehensive process
- Services
 - RFI Management of FFEL and Private Loans
 - Research
- Successes to Date
 - Managed **RFI process** at institutions with over \$600 million in loan volume
 - **Inside Student Lending**, our monthly newsletter, reaches over 5,000 financial aid administrators
 - **Student Lending Analytics Blog** has become the go-to source for breaking developments and analysis on the student lending industry
 - **SLA Flash Surveys** have included the insights from over 1,500 financial aid professionals on a variety of timely topics
 - **Private Loan Options** and the **SLA's 2008 Alternative Loan Guide** provides students and financial aid offices with an objective and focused list of private lenders

The Student Lending Analytics Process

RFI Management

Planning

- **YOU** determine which criteria are most important in selecting your lenders
- **YOU** weight the importance of each criterion

Development of Customized RFI

- **SLA** creates RFI based on your custom criteria
- **SLA's** time-tested RFI has questions that will elicit specific answers from lenders

Broad Distribution

- **SLA** sends RFI to a comprehensive list of lenders
- **SLA** notifies **YOU** of lenders who intend to participate

Objective, Rigorous Analysis

- **SLA** rates lender RFI responses in an analytically rigorous fashion
- **SLA** provides proprietary surveys and analysis to augment lender responses

Lender Selection

- **SLA** creates a Scorecard to summarize the lender ratings.
- **YOU** select lenders from the SLA Scorecard

Ongoing SLA Support

- **SLA** updates analysis as information changes
- **SLA** provides methodology document
- **SLA** drafts sample disclosure statements

5 - 6 Week Process from Start to Finish

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
 - September – HEOA and Lender Lists
 - 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