

NASFAA'S CONCEPT PAPER FOR NEW STUDENT LOAN MODEL

Future of the FFELP
PASFAA Spring Training
April 2009



NASFAA Model

- **Utilize a Public-Private Partnership to Raise Funds for Student Loans**
 - Investors could invest in “Special Purpose Treasury Bonds”
 - Individuals could purchase “Education Financing Bonds”
 - Bonds would be backed by full faith and credit of the U.S.
 - Bonds would be issued for various terms (1-year to 17-years)
 - Advantages include multiple funding sources, societal investment in higher education, reduced federal outlays
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NASFAA Model

■ **Common Origination & Disbursement**

- All student loan originations handled by Education Department contractor
 - MPN would be held by ED
 - All loans have same terms & conditions
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NASFAA Model

■ Repayment & Default Prevention

- ED would contract with multiple entities to service student loans
 - Process for borrowers must be “seamless”
 - All servicers use common servicing platform
 - Centralized database of all borrowers
 - Competition would exist through federal bidding process
 - ED would contract with servicers or others to assist with default prevention activities
 - For example, assisting schools with default prevention
 - Compensation would be tied to success in reducing defaults over multiple years
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NASFAA Model

■ Involving Other Stakeholders in Repayment

- State agencies could participate by:
 - Offering loan forgiveness programs
 - Purchasing loans and offering benefits above those offered by ED
 - Agencies that purchase loans would assume full liability for those loans
 - Human Capital Tax Credit
 - Provides tax incentive for private companies to repay student loans on behalf of their employees
 - Could be offered as part of a company's benefits package
 - Friends, family, etc could get tax benefits for helping pay off someone else's student loans
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NASFAA Model

- **Public-Private Partnership to Raise Funds for Student Loans**
 - **Common Origination & Disbursement**
 - **Repayment & Default Prevention**
 - **Involving Other Stakeholders in Repayment**
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