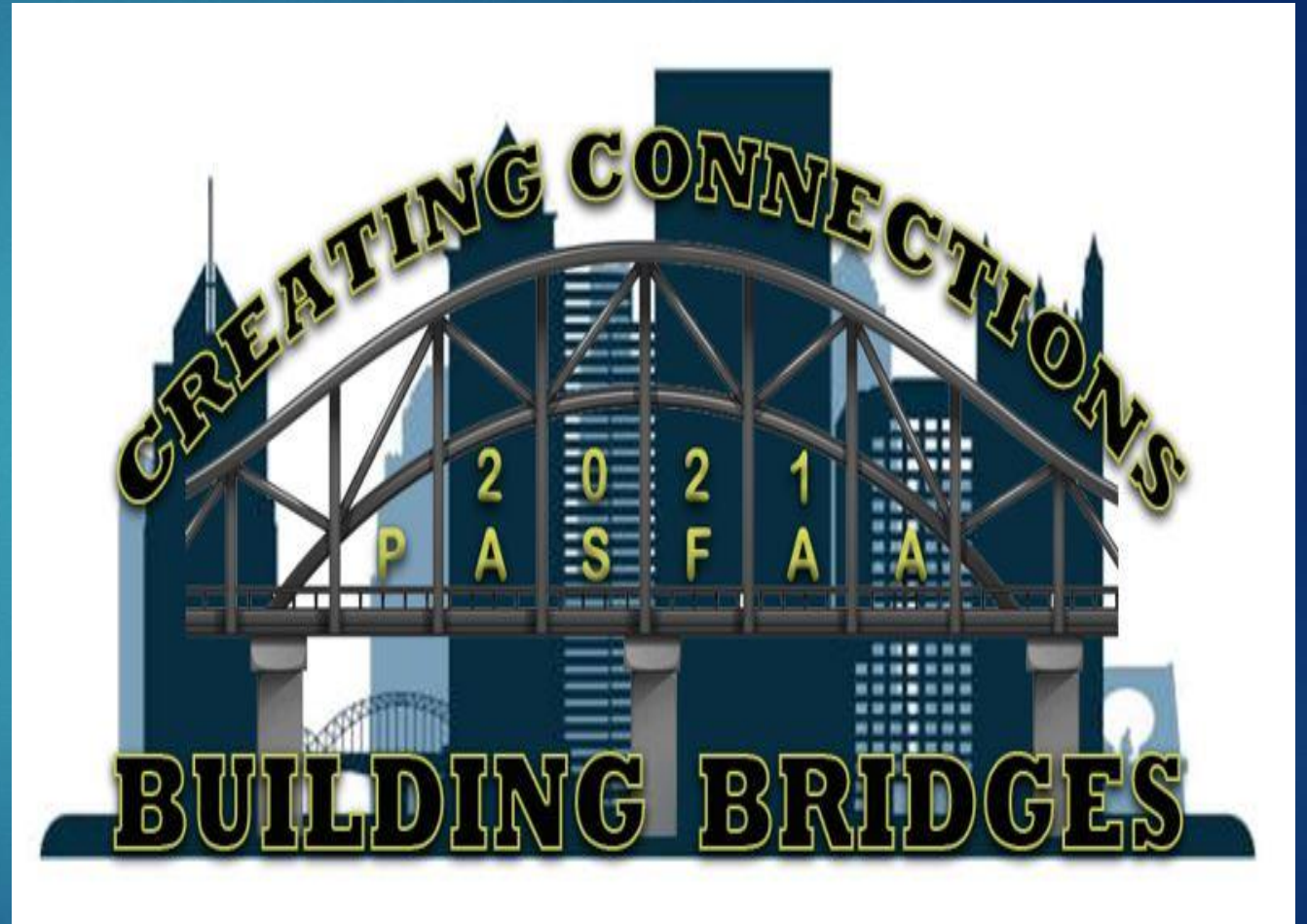


Lender List RFI/RFP Process



Panelists

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Agenda

- ❑ Options for assisting borrowers with lender choice
- ❑ NASFAA lender list poll comments
- ❑ What is a preferred lender agreement/list?
- ❑ Benefits of a preferred lender arrangement
- ❑ What is an RFI? What is an RFP? Are they necessary?
- ❑ Whom should I invite to respond?
- ❑ What features matter to my institution & borrowers?
- ❑ How do I analyze responses?
- ❑ How do I implement my list?
- ❑ How do I manage/maintain my list?



The array of student loan products in today's marketplace can be overwhelming. The financial aid office has several options to assist students who have not selected a FFEL or private loan lender or who ask for the school's help to secure a lender.

- ✓ Instead of providing a lender list, suggest that students obtain information from their own Web search and conduct their own research into borrower benefits before selecting the lender they think is best for them.
- ✓ Provide a list of all lenders that have been used previously by other students at your college.
- ✓ Use a Web-based module to collect borrowers' experiences with lenders and their loan products that can be referenced by prospective borrowers.
- ✓ Provide your students with a list of lenders from which to choose based on the institution's screening for good lending practices and customer service.

Today's
Focus



Options for Assisting Borrowers with Lender Choice

(ref. NASFAA Monograph #23, emphasis mine)

“As a financial aid administrator, your primary role is to help students finance their postsecondary education and to assist them in making good choices about how they fund it. This responsibility is particularly important in the area of student borrowing.”

Options for Assisting Borrowers with Lender Choice

(ref. NASFAA Monograph #23, emphasis mine)



NASFAA Poll Comments

- ▶ ... It's somewhat complicated but a worthwhile service for the number of students we serve.
- ▶ ... we decided it was better to at least point the student in the direction of potential lenders so they have a place to start instead of having students be confused, frustrated, late paying their bill, etc.
- ▶ ...It's worth it for our particular student body. We've utilized FastChoice for all necessary disclosures and consumer information.
- ▶ ... With current demands on staff, keeping up with the RFP process for a preferred lender list is too time consuming to enact.



NASFAA Poll Comments

- ▶ ... I understand why some schools avoid lender lists, but in the absence of one, students and parents have to rely on less reliable, more biased info, including direct-to-consumer marketing...
- ▶ ... It helps our students have a starting point for a confusing process of finding adequate lenders.
- ▶ ... We look to lenders who provide the best in service, repayment, interest rates, customer satisfaction, are ELM and NDN participants so we have a streamlined process.



What is a Preferred Lender Agreement?

- ▶ **An arrangement between lenders and an institution**
- ▶ **Includes some lenders and excludes others**
- ▶ **Provides borrowers with a neutral, robust list of private education lenders and their features**
- ▶ **Does not endorse/recommend any of the lenders on the list**

Pros and Cons of Offering a List

Pros:

- Creates better customer service
- Competition produces better features
- Reduced confusion / Fewer calls
- Fewer withdrawals due to balances
- Less Tracking on balances
- Fewer financial changes = affordability
- Increased Retention
- Standardized process for most loans
- Better Financial Literacy
 - Reduced affordability confusion

Cons:

- Time required to research lenders
- Time required to analyze responses
- Time required to set up and maintain the list

Upfront Work Reduces Back End Tasks



Excerpts from NASFAA Monograph Number 23

- ▶ Developing a systematic and equitable method for selecting lenders for a school's list can help borrowers and schools in many ways. Competition among lenders can motivate them to (1) improve the overall quality of their products and services, helping schools provide borrowers with the best and most efficient service possible, and (2) give borrowers the best options from which to choose possible lending arrangements.
- ▶ Borrower benefits must be the most important consideration in the selection of lenders for a school's lender list.
- ▶ As the use of private student loans continues to grow, helping families to evaluate these programs becomes increasingly important.
- ▶ At the school level, planning and preparation efforts should include at least two phases: (1) identifying student needs and expectations; and (2) identifying office operational needs.

Excerpts from Dear Colleague GEN-08-06 (emphasis mine)

► When we published the final regulations, we expressed our view that **a preferred lender list can be an effective tool to help families looking for student loans to finance the costs of postsecondary education, when the list reflects the school's unbiased research to identify lenders providing the best combination of services and benefits to borrowers at that school.**

► Additionally, by providing this information, schools may **help students and their parents navigate the increasingly complex student loan landscape.** Further, we believe that a borrower's choice of lender may **be better informed by preferred lender lists and other consumer information** on the student loan process, which play a useful role in **assisting financial aid administrators** in dealing with the large volume of requests for information and assistance, and in informing borrower choice.



RFI versus RFP

RFI: Request For Information

- ▶ Informal
- ▶ Used most often for lender lists

RFP: Request for Proposal

- ▶ More formal
- ▶ Often handled by Procurement Office

RFI versus RFP

Neither an RFI nor an RFP is required. A simple questionnaire will also serve the same purpose.

Simply needs to demonstrate your reasoning for selecting lenders.

Whom Should I Invite to Respond?

“Gather a good representation of lenders to identify those that will provide desirable benefits and service to your students. This is the best way to ensure that your students’ needs and your school’s operational needs are met. **It may make sense to start by identifying lenders who have a history of providing quality products and service to your students, and with whom the institution has enjoyed a good working relationship.**”

Ref. NASFAA
Monograph #23

Also, there may be a lender that has desirable features, yet has no history at your institution. Perhaps you can gather feedback from institutions that have such history.

How do I choose my lenders?



Use a fair and consistent method to research lenders

- Institutions are not required to do a formal Request for Information (RFI) or Request for Proposal (RFP)
- A simple question is acceptable
- Most lenders have responses on hand to meet your need



Identify what criteria are important to your students/families

- Criteria to consider: interest rates, fees, borrower benefits, borrowing limits, repayment options, customer service standards, etc.



Consider a lender's reputation history in their industry

- Consider customer service history with lenders (approval rates, weighted average interest rates), financial strength, ability to quickly address issues



Create a web page listing your lenders

- List your lenders and their loan features in a way that allows applications to easily be compared

Some other considerations...

Dedicated School Services team

Institution's longevity

Low cost funding options

Fully Higher Education Opportunity Act (HEOA) compliant



What Features Matter to You?

- Available Interest rates
- Fee structure
- Repayment options
- Deferrals
- Forbearances
- Are loans sold?
- Forgiveness opportunities
- Co-signer release
- Dedicated customer service
- Consolidation/Refi
- Customer service track record
- History in education industry
- Smooth, efficient processes
- Borrower benefits
- Credit check specifics
- Average interest rates received
- Loan limits
- Others?



How do I Analyze Responses?

► “When deciding whether or not to include a lender on the list you offer students and parents, you must **objectively** weigh the many different attributes that you have decided to evaluate. A lender may excel in several areas. How important is each area to both the school and its borrowers? How can lenders be compared objectively and impartially? Remember that **your lender list is a service** that should reflect what your school feels is **best for your borrowers** based on the lender’s service throughout the life of the loan.”

Ref. NASFAA
Monograph
#23 (emphasis
mine)



Key Lender List Requirements

- No fewer than TWO unaffiliated private education lenders (unless you cannot find two unaffiliated lenders willing to lend to your population)
- For example, 3 lenders that offer the same company's products = 1 lender
- Clearly and fully disclose for each lender
 - TILA Disclosures provided by the lender
 - Reasons institution lists these lenders
 - Method and criteria used (favorable to the borrowers)
 - Specify that borrowers do not have to use a listed lender
 - Online lender list services make this easy



Third Party Lender Lists

Neutral lender and product comparison

Ability for school customization and choice

Compare results of multiple lenders

Examples:





*And
Remember...*

Reinforce every student's right to borrow from any lender who participates in student lending, regardless of whether that lender is on your list.

Summary:

It may seem complicated, but it's not..

- ▶ Don't fear the details
- ▶ Offering a list has become easy and the lender list panic has been dispelled
- ▶ Important to meet with your lenders to understand fair and equitable options that meet your student needs
- ▶ A comprehensive historical list can be more difficult to manage, and more confusing for your population
- ▶ Post Secondary education is an investment; therefore, offering assistance in gap solutions increases a comfort level and relationship with your families – shows you care

Resources

- ▶ **34CFR601.10**
- ▶ **34CFR601.11**
- ▶ **Federal Student Aid Handbook, School Eligibility**
- ▶ **Dear Colleague Letter GEN-08-06**
- ▶ **NASFAA Monograph 23 of June 2009**
- ▶ **FSA Preferred Lender List Assessment Activity**
- ▶ **ELMSelect.com**
- ▶ **Scholarnet.com – FastChoice**





Thank You!

**Questions or
Feedback?**



Bonus Material

Regarding Comprehensive
Historical Lender Lists

Historical Lists

- ▶ Feds have stated that a list of all lenders that have been used previously by other students at your school is not a preferred/recommended list.
- ▶ Federal regs do not describe detailed methodology
- ▶ Must be comprehensive (include all lenders with history at the institution)
- ▶ What constitutes “historical”?
 - ▶ A certain number or dollar volume of loan apps? No
 - ▶ A certain number or dollar volume of loan disbursements? No
 - ▶ A certain number of loan servicing experiences? No
 - ▶ All of these considerations make the list “preferred”
- ▶ Ref: Dear Colleague Letter Gen 08-06

Historical Lists

▶Q: If you don't include all historical lenders, though, does that make it a preferred/recommended list? (i.e., we prefer lenders with a certain minimum length or type of history at our school)

▶A: Yes. A comprehensive historical list must include all lenders who have a history of lending to your institution's borrowers, regardless of how many loans they've made, how long they've been lending to your population, etc.

▶Q: Does list order matter?

▶A: As long as you are not biased, no. Most lender list services offer a rotating option or alphabetical