

Credit Union Federal Student Loan Network



Common Purpose. Uncommon Commitment.

Federal Family Education Loan (FFEL) Program Overview

Federal education loans were first offered in 1965 through a program initiated by the Department of Education (ED). The ED created the Federal Family Education Loan (FFEL) Program to offer low-interest, government subsidized, and federally guaranteed education loans to assist and encourage low- and middle-income families to attend college. Key features include:

- Government subsidizes the interest rate on the subsidized Stafford Loan for lenders.
- A Federal guarantee – 97% guarantee.

The FFEL Program offers students and their parents low-cost education loans without requiring them to provide collateral. Schools determine eligibility amounts for the loans that are made through private lenders (like credit unions). The federal government sets interest rates and guarantees 97% of each loan against default.

The Federal Student Loan Network enables you to offer four different loans through the FFEL Program. We minimize the administrative work behind each loan. The chart below gives more detail about each loan. A family with a dependent undergraduate student may qualify for all three loans (Subsidized Stafford, Unsubsidized Stafford, and PLUS) while the borrower is in school. Once the borrower graduates or drops below half time they can then consolidate with their credit union.

FFEL Program Loan Types			
Loan Type	Who Applies	Yield to Credit Union	Annual Loan Limits
Subsidized Stafford	Student	Adjusted quarterly, credit unions earn the 3-month financial Commercial Paper rate + government subsidy	From \$3,500 for freshman to \$8,500 for graduate student
Unsubsidized Stafford			From \$5,500 for freshman to \$20,500 for graduate student minus subsidized Stafford awarded
Parent PLUS Grad PLUS	- Parent of a dependent, undergraduate student - Graduate or professional student	3-month financial Commercial Paper rate + government subsidy	Cost of education less any aid the student receives
Consolidation*	Borrower in grace period or repayment	3-month financial Commercial Paper rate + government subsidy	Consolidation of all outstanding eligible FFEL education loans into a single loan.

*To offer consolidation loans the credit union has to sign an additional agreement.

You'll Benefit by Offering a Student Loan Program

Helping Achieve Your Business Objectives

By joining the Federal Student Loan Network, you will:

- ❑ Build your lending portfolio through access to a vast student loan market.
- ❑ Enhance your loan-to-share ratio by increasing the number of loans in your portfolio.
- ❑ Improve the penetration of younger members and nontraditional students.

Build Your Lending Portfolio

Joining the Credit Union Federal Student Loan Network allows you to build your lending portfolio by accessing a vast student loan market, which is expected to reach a record 17.5 million students.

Student Loans Not Affected by Economy

The decision to attend college is not affected by economic conditions or interest rates. You can expect a steady stream of loans, year after year. In fact, when there is a downturn in the economy, members go back to school to be retrained, and parents are less able to cover tuition costs.

Low Risk

All Federal Family Education Loans are 97% guaranteed by the government (principal and interest). These loans are 100% forgiven in case of death or permanent disability.

Develop Relationships with Younger Members

By offering a student loan program, you will be able to attract and maintain members in the 18- to 24-year-old age category. This age category is crucial to your credit union's future lending base—not only will they need student loans, but also a wide variety of other financial products and services throughout their lifetime.

Stronger PFI Status with Younger Members and Nontraditional Students

A student loan program will help strengthen your PFI status with young members—and make your credit union a one-stop shop for all their financial needs. Research shows that members are more likely to view you as their primary financial institution once they get a student loan from you.

Why Choose the Credit Union Federal Student Loan Network?

Designed Specifically for Credit Unions

The Federal Credit Union Student Loan Network was formed in 1991 to provide credit unions an affordable and easy way to offer student loans. We are the largest student loan program provider in the credit union system. We work exclusively with credit unions and have the experience to understand your unique needs.

Removing Barriers

Complicated administration is the factor that keeps most credit unions from offering student loans. The Credit Union Federal Student Loan Network removes that barrier, by offering administrative and marketing services in conjunction with our partner, Great Lakes.

Experience You Can Count On

As the largest student loan program provider in the credit union system, over sixty percent of all credit unions that offer student loans choose the Federal Student Loan Network to help administer their programs. Since 1991, we have been helping credit unions become full-service providers of educational loan products and provide assured compliance with NCUA and Department of Education regulations.

Through our highly respected guarantor and servicer, Great Lakes., we provide loan guarantees within 24 hours and full life-of-loan servicing. Great Lakes, one of the most respected and largest guarantors in the industry, continually earns recognition for its efficiency and ability to collect on loans. Established in 1967, Great Lakes has been helping students get their loans for over 40 years.

You are In Good Company

As of May, 2008, the total number of credit unions offering student loans through this program has grown beyond 900, with a total portfolio value of over \$590 million.

Comprehensive Services Free You Up to Market

Our program provides comprehensive support including loan guarantee, origination of funds, full life-of-loan servicing, due diligence, and government reporting. These services allow you to focus on other things like educating students about the financial aid process and marketing your program to your members and schools.

Challenges in the Industry

Preferred Lender Lists

The Financial Aid Office at colleges and universities evaluate lenders based on their service and benefits provided to borrowers. If the lender meets the criteria set by the school, they may be added to the schools' Preferred Lender List.

Students are commonly directed to the lenders on this list and recommended to choose these lenders to expedite processing. It may be suggested to borrowers that they can expect some delays if they fail to choose a lender from the schools' list.

This creates obstacles for lenders if they are not part of the Preferred Lender List with colleges and universities. For this reason, it is important to market your credit union to schools that you would anticipate student loan volume from, along with educating your members of their right to choose their own lender.

Criteria that schools may evaluate in order for lenders to be part of the Preferred Lender List may include:

- Repayment incentives that will reduce the amount of interest for on-time or automatic payments.
- Electronic Fund Transfer (EFT) processing capability
- The level of customer service

Direct Lending

The Direct Lending Program, initiated by the federal government, is designed to enable students to borrow directly from the government through campus financial aid offices, bypassing lenders and guarantors. While this program is considered competition for the Federal Family Education Loan program, the program offers both Stafford and PLUS loans directly to borrowers and is administered by the US Department of Education. The student does not have an option on choice of lender.

Reauthorization

Every five years the federal government reauthorizes the Higher Education Act, which establishes the terms of the FFEL Program. In reauthorization, Congress appropriates money to continue the FFEL Program and may change the terms governing it.

As with any federal government program, the FFEL Program is impacted by legislative changes. The Credit Union Federal Student Loan Network monitors legislation affecting the FFEL Program and keeps participating credit unions informed and ensures that credit unions on our program are in compliance.

Additional Reasons for Choosing the Credit Union Federal Student Loan Network

Marketing Tools to Jumpstart Your Program

Running a successful student loan program is primarily contingent upon how well the program is marketed. The Credit Union Federal Student Loan Network offers a full array of collateral pieces resources for borrowers to reach your members with the message that you offer student loans. We also provide everything you need to host a Financial Aid Night to inform students and parents about the financial aid process and your credit union services. In addition, we have tools to help you work with schools in your area and offer student loans forms through your web site.

ELM – Education Loan Management

ELM (Education Loan Management) is an educational management system that has sold their solutions successfully to 2000 schools across the country. ELM is able to help schools with operational efficiency to streamline their process flow in information and disbursement of funds. ELM enables schools, lenders, guarantors and servicers to process student loans, dealing with a single data transfer, regardless of which lender or guarantor is involved. Credit Unions need to conform to the school's process flow in order to maintain and grow their student loan volume with these schools.

The Federal Student Loan Network brings credit unions access to loans from ELM schools by participation in the ELM program. Please contact the Federal Student Loan Network to determine if schools in your area are participants in the ELM program.

Relax with Compliance Peace of Mind

Compliance is a crucial aspect of administering a student loan program. We also provide the peace of mind that your student loan program is in federal compliance with NCUA and Department of Education regulations.

Convenient Operational Training

We have developed several training program formats. *Webinar* training takes just two hours and can be done right at your office computer. A live instructor provides information on areas critical to the immediate operation of your program. *Webcasts* are recorded training sessions you can view at 24/7 via the Internet.

Answers to Your Questions, a Phone Call Away

The Federal Credit Union Student Loan Network provides access to support staff with over 30 years of combined experience in the education loan industry. They are available Monday through Friday, 8:00 am to 4:30 pm, Central Standard Time.