National Association of Independent
Colleges and Universities

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NAICU Survey Gives Early Snapshot of the Impact of the Credit Crunch on Student Loans at Private Colleges and Universities

WASHINGTON, D.C., March 25—A significant number of private colleges and universities report reductions in student loan availability and borrower benefits, according to the results of a survey conducted by the National Association of Independent Colleges and Universities, and released today.

"While the comments offered by survey respondents indicate that there is little evidence of the credit crunch limiting access to student loans at the specific time of the survey, the data collected serves as a warning flare," said NAICU President David L. Warren.

"There is widespread uncertainty about what the full extent of the credit crunch and its impact on student borrowers will be, and what safeguards the federal government will have in place to avert a crisis," Warren said. "Institutions are looking for national guidance."

Private Label Loans
Of NAICU's 952 members, 315 institutions—or 33 percent—responded to the survey. Of the 176 responding institutions that reported receiving information from "preferred" lenders about their ability to make non-federal *private label loans* for the 2008-09 academic year:

- 46 percent said that one or more of their lenders are tightening credit requirements for private label loans;
- 43 percent said that one or more are no longer providing private label loans;
- 30 percent said that one or more are reducing or eliminating borrower benefits; and
- 20 percent say that one or more lenders are increasing interest rates.

Another 111 institutions reported they participate in non-federal, private label loans, but had not gotten any information from "preferred" lenders.

The NAICU survey asked institutions that participate in non-federal student loans what actions they would take if lenders were no longer available to some or all of their students to meet their financial needs. Of the 228 respondents participating in private label loans that answered the question:

- 20 percent would offer budget counseling;
- 15 percent would increase institutional funding for loans;
- 15 percent would direct students toward other outside scholarships or alternative loans;
- 12 percent would increase institutional funding for grants or work study;

—more—

- 11 percent would increase PLUS loans; and
- 6 percent would offer tuition payment plans.

For a number of reasons, 48 percent of the 228 institutions that answered the question said they had no plan in place to respond to a shortage in private-label loans. Some institutions have not received indications that their individual lenders and students will be affected significantly by the credit crunch. Many do not have the financial resources needed to make up for a shortfall in private loans. Others indicate the uncertainty in the markets and among federal officials has placed their planning on hold.

Sixty percent of the 284 respondents participating in private-label loans that answered the question "how important is private student loan borrowing to your institutional financial health?" said they are either "very important" or "critically important" to their institutional financial health. Twenty-three percent reported private-label loans are "somewhat important" to their financial health. Eighteen percent said they were either "not very important" or "not at all important."

Federal Family Education Loan Program (FFELP)
Of the 211 responding institutions that reported receiving information from "preferred" lenders regarding their ability to make loans through the *Federal Family Education Loan Program (FFELP)* for the 2008-09 academic year:

- 68 percent said that one or more of their lenders are cutting borrower benefits on FFELP loans, and
- 57 percent said that one or more of their lenders are no longer providing FFELP loans.

(Note: When Congress reduced FFELP subsidies in 2007 to increase funding for Pell Grants and other student aid, cuts in borrower benefits were widely anticipated, and are not necessarily directly attributable to the current credit crunch.)

About the Survey
NAICU surveyed its 952 member institutions March 3-14. A total of 315 institutions responded, for an overall response rate of approximately 33 percent. Eighty-eight percent of respondents participate in FFELP loans, and 76 percent of respondents participate in private-label student loans. Twelve percent of responding institutions participate in the William Ford Direct Loan Program, compared to 16 percent of all private, not-for-profit institutions.

About NAICU
NAICU serves as the unified national voice of independent higher education. With nearly 1,000 member institutions and associations nationwide, NAICU reflects the diversity of private, nonprofit higher education in the United States. NAICU members enroll 85 percent of all students attending private institutions. They include traditional liberal arts colleges, major research universities, church- and faith-related institutions, historically black colleges, Hispanic-serving institutions, single-sex colleges, art institutions, two-year colleges, and schools of law, medicine, engineering, business, and other professions.

► Survey results and questionnaire are available at *www.naicu.edu/studentloansurvey*.

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