NAICU

National Association of Independent
Colleges and Universities

NAICU Survey on the Impact of the Credit Crunch on Student Loans at Independent Colleges and Universities

Between March 3, 2008 and March 14, 2008, NAICU surveyed its 952 members to gather information on how the current credit crunch is affecting student loans, specifically FFELP and private-label loans. Data was collected through an online survey (attached at the end of the report). Below is a snapshot of responses[a].

Context: Responding Institutions

- Of NAICU's members, 315 institutions responded to the survey (response rate: 33.1 %)
- Eighty-two percent of the institutions are considered small sized institutions, which have an enrollment of 5,000 students or less.
- Ninety-eight percent are four-or-more-year institutions.
- Responding institutions came from all parts of the country: the South (31.1%), Midwest (30.2), Atlantic (29.8%), and West (8.9%).
- In terms of Carnegie Classification, the responding institutions broke out as:

Carnegie Classification	Percent Responded to the Survey	Percent Responded of NAICU Membership
Research/Doctoral	12.4	42.4
Masters	31.4	35.1
Baccalaureate	40.3	33.2
Associates	2.5	26.7
Special Focus	13.3	22.6

- The responding institutions had the following endowments levels:

Endowment	Percent	Frequency
Less than 1 million	6.3	19
$1M - $49,999,999	54.3	165
$50M - $99,999,999	12.5	38
$100M - $224,999,999	11.2	34
$225M - $449,999,999	6.9	21
$500M or more	8.9	27
Total	100.0	304

[a] Analyses are based on those that responded to a survey question.

Lastly, a large proportion of respondents participate in both FFELP loans (87.9%) and non-federal private label student loans (76.2%). Few (12.4%) responding institutions participate in the William Ford Direct Loan Program[b].

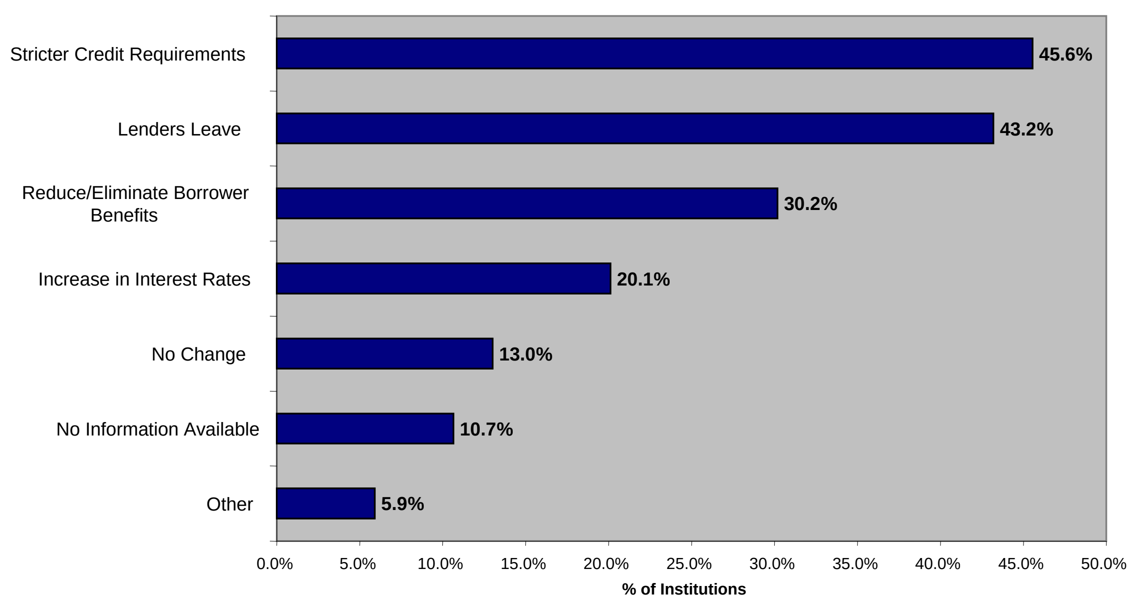
I. Private Label Loans Findings:

Question #6: If you participate in non-federal student loans, have you received any information from lenders as to their ability to make such loans in AY 08-09?	Percent	Frequency
Yes	61.3	176
No	38.7	111
Total	100.0	287

Of the institutions who responded to Question 6, 61.3 percent reported that they received information from their lenders as to their ability to offer non-federal private-label loans for Academic Year (AY) 2008-09 (Question 6: If you participate in non-federal student loans, have you received any information from lenders as to their ability to make such loans in AY 08-09).

The following graph shows what institutions have heard from their private-loan lenders, which includes loan availability and/or reduction in benefits (Question 7 on the survey):

(PRIVATE LABEL LOANS) Question #7: If yes to #6, please describe, including loan availability, interest rate charged, and/or reduction in borrower benefits.



[b] Approximately 16 percent of all private, not-for-profit institutions participate in the Direct Loan Program for the FY2007-08.

Institutions are also reporting that lenders are leaving the business of lending private student loans (43.2%). However, if lenders are staying in the business, 45.6 percent of institutions report that lenders are imposing stricter credit requirements on students (e.g., requiring co-signers, increasing the qualifying credit scores) as well as reducing or eliminating borrower benefits (30.2%), or increasing the interest rate (20.1%).

Below are typical quotes from our institutions about lenders leaving and changing their loan terms:

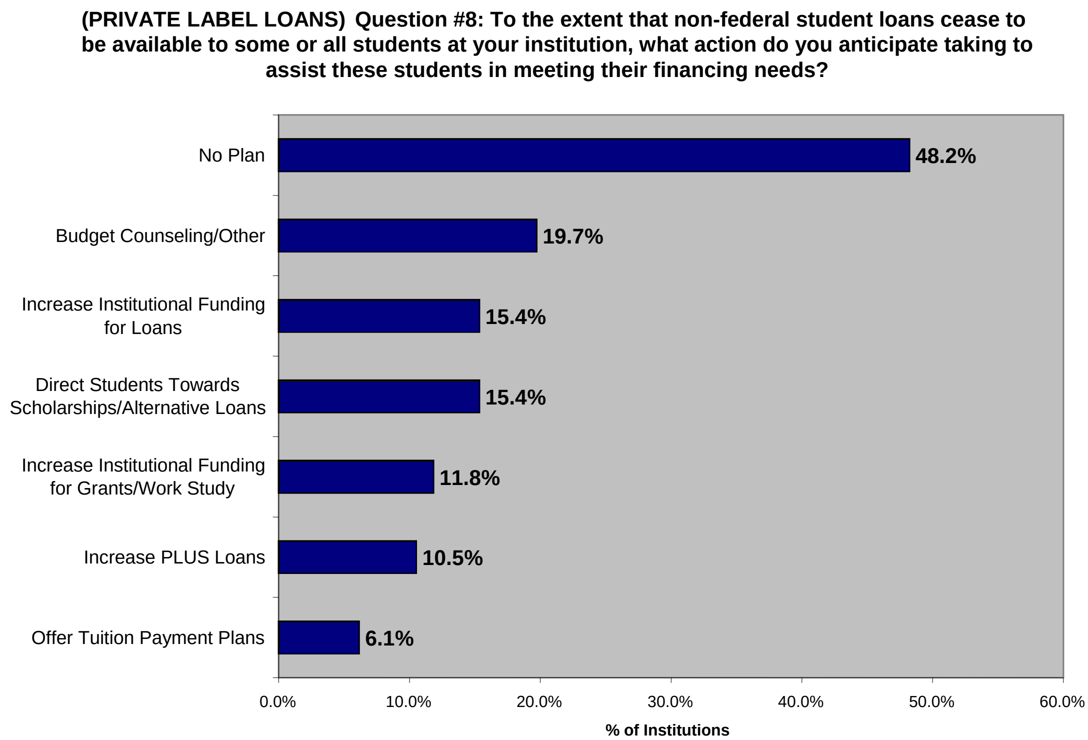
> "We have heard from some lenders that interest rates will increase and the approval rates will be much lower. One lender has told us that 72 percent of our students who applied for their alternative loan last year will not be approved without a co-signer for the 2008-2009 year." –small, New England college

> "Access to private loan funding is our main concern at our college. In the past, students had access to a credit-ready private loan program (no cosigner required, zero credit is considered good credit). Many students took advantage of this program in the past. We have been told that there may be little to no funding for this private loan program in the future (mainly, for the 2008/09 academic year). Knowing the number of students who utilize this loan, we think that may create an access problem with the possible elimination of this private loan program. Many students do not meet the credit/income requirements for many private loans, and they may not have an able or willing cosigner. These situations are the ones in which the credit-ready private loan program has made access to a private education possible for a number of our students." –small, Midwest college

> "Almost all of our private loan lenders have changed their borrower benefits. Their credit acceptance policies, and/or their interest rate options. We have been informed that access to private loans may be limited with increased rates passed on to the student." –small, Midwest college

> "Required FICO score has been increased. Fewer loans to at-risk clients will be made." –small, Southeast college

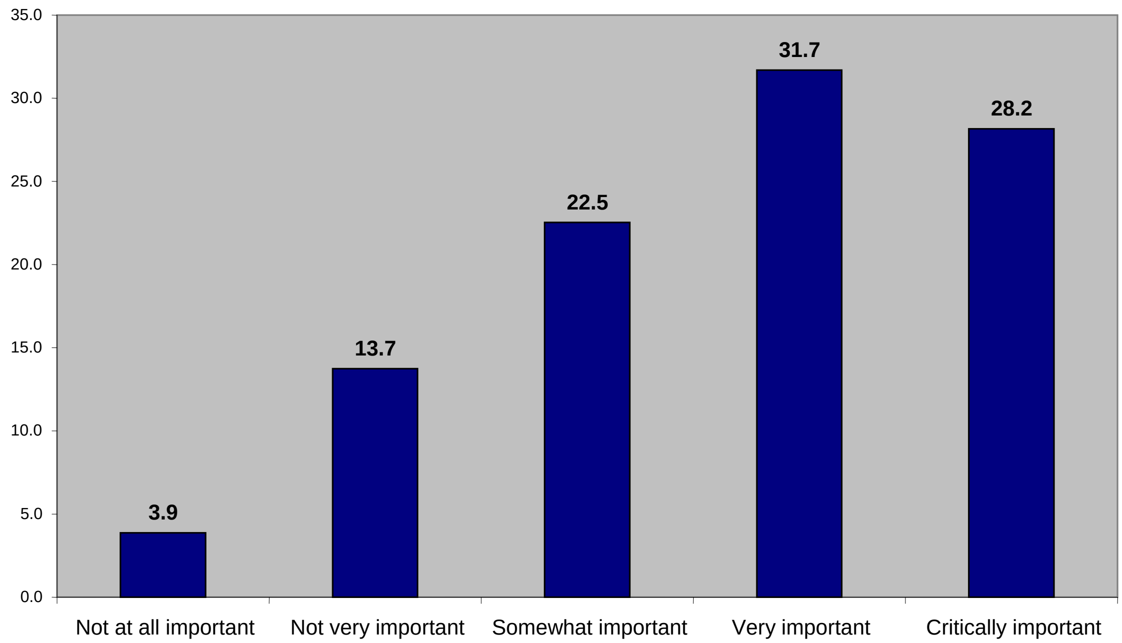
Alternative Plans to Private Label Loans
We also asked what action(s) institutions would take if private student loans were no longer available to some or all of their students to meet their financial needs:



Nearly half (48.2%) of the 228 institutions that answered the question "to the extent that non-federal student loans cease to be available to some or all students at your institution, what action do you anticipate taking to assist these students in meeting their financing needs?" reported that they did not have a plan. However, 19.7 percent of the institutions said that they would offer students budget counseling or personal finance education.

Importance of Private Label Loans
The following chart asked our respondents how important are private student loans to their institutional financial health.

(PRIVATE LABEL LOANS) Question #9: On a scale from 1 to 5, where 1 is not at all important and 5 is critically important, how important is private student loan borrowing to your institutional financial health?



Combining the categories "very important" and "critically important", 59.9 percent of institutions that answered the question "how important is private student loan borrowing to your institutional financial health?" report that private loans are essential.

The final private-loan question asked was Question 10 (To the best of your ability, please estimate what percentage of your students takes out private loans, and what the average private loan debt per student is upon their leaving the institution. Enter percentage and dollar amount). Respondents reported that an average of 20.5 percent of their students take out private loans. Students leave with an average private-loan debt of $18,868.

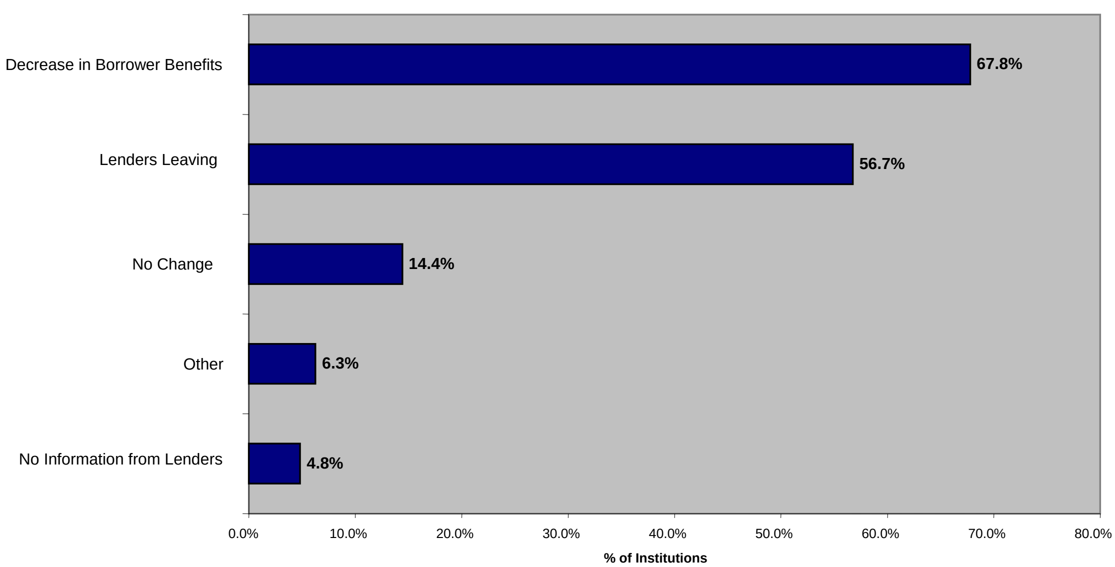
II. FFELP Findings

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

Question #4: If you participate in FFELP, have you received any information from lenders as to their ability to make FFELP loans for AY 08-09?	Percent	Frequency
Yes	75.6	211
No	24.4	68
Total	100.0	279

Of the institutions who responded to Question #4, 75.6 percent reported that they received information from their lenders as to their ability to make FFELP loans for Academic Year (AY) 2008-09. The following graph shows what institutions have heard from their FFELP lenders, which includes loan availability and/or reduction in benefits:

Question #5: If yes to #4, please describe, including loan availability and/or reduction in borrower benefits.



While the most noticeable finding in this graph is the substantial decrease in borrower benefits (i.e., paying of fees and back-end benefits), another important finding from this graph is that nearly 60 percent of our institutions have found at least some of their FFELP lenders are no longer providing FFELP loans.

The following quotes are typical responses from our institutions.

> "Two of our three preferred lenders that we had planned to utilize have dropped out of FFELP in the past few weeks. We have seen every single lender cut either front end or back end benefits or even both front and back end benefits." –Small, Midwest college

"We have received information that several lenders are suspending their participation in the FFELP program. There is a concern regarding the ability of state agencies to securitize student loan debt and issue bonds. Student loan providers are having difficulty raising money to lend to students. Those that are successful are paying higher interest rates. We are also seeing a movement away from providing students with back-end borrower benefits as well as holding students responsible for the origination and default fees. The costs to students are clearly increasing." –Large, Midwest university

"Quite a few lenders … have withdrawn from making new loans and/or servicing existing loans; borrower benefits are pretty much non-existent anymore; much higher minimum limits for consolidating loans." –small, Midwest college

"Some lenders have quit making FFLEP loans…However many have stated they will not pay the origination fee, the loan default fee, nor offer back-end borrower benefits. As a result many of our students will pay an additional 3 percent in fees and lose benefits which average 3.5 percent during repayment." –small, Southwest college

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* SURVEY INSTRUMENT *

NAICU Survey on the Impact of the "Credit Crunch" on Student Loans at Independent Colleges and Universities

As you are aware, the turmoil in the capital markets is causing much speculation on the availability of capital for student loans. NAICU is monitoring the situation, and is conferring with Congress and officials at the Department of Education about any possible federal action in this area.

This survey is intended to gather institution-specific information on the issue from our members. It will remain open through Friday, March 14, 2008; however, given that members of Congress are eagerly awaiting what we learn through this survey, **please respond by Friday, March 7, if at all possible**. Please complete and return the survey, even if your institution is not currently experiencing problems in these areas.

We would appreciate your letting NAICU know about your institution's student lending situation by answering the following questions. NAICU will analyze and aggregate the responses – without identifying individual institutions – so that we can inform the appropriate policy makers should we see a national pattern emerging.

We suggest you complete the survey using the on-line form. If that is impractical for some reason, you may complete this printed version of the survey (using additional sheets for comments if necessary), then mail or fax it to "Debt and Loan Survey" at NAICU, 1025 Connecticut Ave., N.W., Suite 700, Washington, D.C. 20036-5405; fax, (202) 835-0003.

For questions about this survey, contact Frank Balz, Vice President for Research and Policy Analysis at NAICU (frank@naicu.edu, 202-785-8866).

Thank you in advance for your invaluable assistance as we address these emerging issues.

National Association of Independent Colleges and Universities

1. Institution Name: ____________________

2. State: ____________

3. In which of the following does your institution participate? (Check all that apply):

A. Federal Family Education Loan Program (FFELP)
B. William Ford Direct Loan Program
C. Non-federal private label student loans (i.e., student loans other than FFELP, Direct, Perkins, etc.)

4. If you participate in FFELP, have you received any information from lenders as to their ability to make FFELP loans for AY 08-09?

___Yes ___No

5. If yes to #4, please describe, including loan availability and/or reduction in borrower benefits.

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____

6. If you participate in non-federal student loans, have you received any information from lenders as to their ability to make such loans in AY 08-09?

___Yes ___No

7. If yes to #6, please describe, including loan availability, interest rate charged, and/or reduction in borrower benefits.

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____

8. To the extent that non-federal student loans cease to be available to some or all students at your institution, what action do you anticipate taking to assist these students in meeting their financing needs? (Check all that apply)

___ A. Would offer loans using institutional funds
___ B. Would substitute grant or work for loans
___ C. Have no plan
___ D. Other (please specify)

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9. On a scale from 1 to 5, where 1 is not at all important and 5 is critically important, how important is private student loan borrowing to your institutional financial health?

Please circle one number: 1.....2.....3.....4.....5

10. To the best of your ability, please estimate what percentage of your students take out private loans, and what the average private loan debt per student is upon their leaving the institution.

___% $_________

11. Do you have any general comments about the impact of the current credit crunch on your institution and/or your students? (Attach an additional sheet if necessary.)

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In the event that we need to follow-up for additional data, please provide the following contact information:

Name(s):

Title(s):

Telephone(s):

Email(s):

Please complete the survey, if possible, by Friday, March 7, but by March 14 at the latest.

Fax your completed survey to NAICU at 202-835-0003, or mail it to:

Debt and Loan Survey

NAICU

1025 Connecticut Ave., N.W., Suite 700

Washington, D.C. 20036-5405

For any questions about the survey, please contact Frank Balz, Vice President for Research and Policy Analysis at 202-785-8866. Thank you for your help.