

Suggested Lender List Selection Process

Federal loan regulations, set by the Department of Education, require a school that chooses to provide a Preferred Lender List to borrowers to disclose their method of selecting the lenders included on their list of suggested lenders. This guide is to provide information to borrowers about the method Caldwell College's Financial Aid Office used to create the 2010/2011 Preferred Lender List.

According to Section 682.212 of the Federal Register, published by the Department of Education, "A school may, at its option, make available a list of recommended or suggested lenders, in print or any other medium or form, for use by the school's students or their parents, provided such list--

- Is not used to deny or otherwise impede a borrower's choice of lender
- Does not contain fewer than three lenders that are not affiliated with each other
- Does not include lenders that have offered, or have offered in response to a solicitation by the school, financial or other benefits to the school in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students" (U.S. Department of Education, 2007).

Why a Preferred Lender List?

- Provides a comparison of selected lenders in relatively consistent terms, reducing confusion and assisting borrowers and their families in making the best-informed decisions.
- Provides an opportunity to help educate students and parents in regards to the student loan industry.

Steps Taken With Decision Process

- A Request for Information (RFI) was sent out to those lenders most often chosen by the Association of Independent Colleges and Universities in New Jersey (AICUNJ) students with a list of questions regarding their products and services. These questions included the following topics:

| | |
|--------------------------------|----------------------------|
| Origination Fee | Grace Period |
| Standard Repayment Term | Extended Repayment Term |
| Current Interest Rate | Interest Rate Ceiling |
| Interest Rate Structure | Up-Front Borrower Benefits |
| Possible Guarantors | Possible Loan Servicers |
| Borrower Benefits at Repayment | Additional Discounts |

| | |
|--|--|
| Percentage of Borrowers who Qualify for Benefits | |
|--|--|

- Once all information had been gathered and considered, the financial aid office made a decision for the 2010/2011 academic year on particular criteria (which is listed below). Throughout the decision process, the financial aid office's goal was to select a list of reliable lenders who would be able to provide beneficial products and services to the Caldwell College community.

Criteria Used to Select Lenders

Borrower Benefits -In considering benefits, it was important to evaluate the lenders who offer borrower benefits to students as well as the percentage of the actual borrowers who qualified for such benefits. Such borrower benefits that were evaluated included the following:

- Interest rates and terms
- Fees paid by the lender or the responsibility of the borrower
- Availability of repayment options
- Back-end borrower benefits (i.e. principal reduction, interest rate reduction, etc.)

Quality of Lender Products and Services

In evaluating lenders' quality of products and services, it was important to determine which lenders provide exceptional customer service to its borrowers as well as the school. Such quality of products and services criteria used to evaluate each lender was as follows:

- Ease of application process
- Web-based application and services
- Proactive customer communication, including easy access to borrower's current and cumulative borrowing and estimated repayment information
- A toll-free number for information and advice
- Timely and responsive processing of loans including resolving issues
- Expedient and simple PLUS pre-approval processes
- Knowledgeable customer service representatives
- Dedicated service or marketing representative assigned to the school
- Lenders practice to recommend students to maximize Federal financial aid first

Lender Stability

With regulatory changes and market instability affecting lenders' decisions to remain in the student loan industry, it was important to select lenders who are reliable and will continue to service borrowers for future years. Such lender stability criteria used to review each lender included the following:

- Mission Statement
- Number of years in the student loan business
- Source of stability of capital used in providing loans
- Relationships with other loan partners
- Existing relationships with guarantee agencies

- Default rates
- Reputation at the local, state, regional and national levels
- Marketing practices including its promotion of products and services
- Demonstrated security of borrower information

References

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