

## The President's Message: Creating the New Partnership Loan for 2010



Steve McCullough  
President & CEO

As the calendar changes to 2010, everyone here at Iowa Student Loan<sup>®</sup> wishes you a Happy New Year. We are also happy to share continued good news with you.

### Bond Issuance

This past summer, Iowa Student Loan saw a glimmer of hope in the credit markets and set forth to issue a limited amount of bonds to serve as funding for supplemental private student loans.

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Our goals for this new loan were to offer:

- ▶ Upfront rates, terms and expansive disclosures.
- ▶ Fixed rates over the life of the loan.
- ▶ Annual percentage rates comparable to Federal PLUS Loans and competitive with other options available to lowans.
- ▶ Both deferred and interest-only payment options while enrolled.

After holding a public hearing in September, our board voted to move forward with the bond issuance. In November, Iowa Student Loan's bonds became available for sale and were well received by investors. The positive response from investors illustrated the confidence that financial industry leaders have in our organization. As a result, Iowa Student Loan was one of the few providers around the country able to issue bonds backed by students loans since the credit market disruptions. More importantly, the successful bond sale and the favorable market conditions allowed Iowa Student Loan to provide the new Partnership Advance Education Loan<sup>SM</sup> beginning with the 2009 – 2010 school year.

Partnership Advance Education Loan	
Loan Option	Features
One	<ul style="list-style-type: none"><li>▶ 0% origination fee</li><li>▶ 7.75% fixed interest rate</li><li>▶ Required monthly in-school interest-only payments</li><li>▶ 10-year principal and interest repayment term</li></ul>
Two	<ul style="list-style-type: none"><li>▶ 0% origination fee</li><li>▶ 7.85% fixed interest rate</li><li>▶ Required monthly in-school interest-only payments</li><li>▶ 15-year principal and interest repayment term</li></ul>
Three	<ul style="list-style-type: none"><li>▶ 4% origination fee</li><li>▶ 7.90% fixed interest rate</li><li>▶ Repayment begins after a six-month separation period</li><li>▶ 18-year repayment term</li></ul>

Students and families were able to access applications for this supplemental private student loan within a month of the bond sale and funds began disbursing to approved applicants in January 2010.

Although market conditions were favorable enough to issue the bonds, investors were still only willing to finance private student loans that included cosigners or borrowers who meet the credit and underwriting criteria on their own merit. The criteria allowed under the bonds will enable many Iowa students to qualify for a Partnership Advance Education Loan. Also, with this program, Iowa Student Loan continues its long-standing policy of using only one set of interest rates and fees for everyone who qualifies, rather than charging higher rates to families with lower credit scores. This program and its credit criteria are especially beneficial for students with parents unable or unwilling to obtain Federal PLUS Loans.

As always, we at Iowa Student Loan are constantly looking for ways to improve our services to students and families and searching for innovative means to help lowans obtain the resources necessary to succeed in postsecondary education. In the months ahead, we will keep you updated as new products and services become available in this ever-changing student lending environment. ■



## Training Sessions Launch New Partnership Program

School services liaisons Gary Adams and Heather Gaumer conducted training sessions during December to provide information about the new Partnership Advance Education Loan<sup>SM</sup>.

The Partnership Advance Education Loan application launched Dec. 8, in time for students to receive supplemental loan funds for the 2009 – 2010 academic year. The program offers students and their families who meet the underwriting criteria three cosigner\* loan options with fixed interest rates. Two options require interest-only payments while enrolled to help keep loan costs down.

### Miss the Training Sessions?

Contact Gary or Heather to schedule an individual session for your office or to request additional training packets.

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### Making an Informed Decision

Borrowers may select the loan option that works best for their individual situations. The interest rate and fees associated with the loan option they select are known upfront and are not determined by tiered underwriting criteria. This ensures that borrowers understand the costs of a Partnership Advance Education Loan prior to applying.

Students and families can learn more about this supplemental loan program at [www.studentloan.org/partnership](http://www.studentloan.org/partnership). ■

\* Borrowers who meet the underwriting and credit criteria are not required to provide cosigner(s).

## New Title X Requirements Go Into Effect

New disclosures and specific timing requirements included in Title X of the Higher Education Opportunity Act (HEOA) of 2008 must be implemented by Feb. 14, 2010. Colleges and universities may be required to meet these new disclosure requirements if the school is considered a creditor making private education loans.

Title X of HEOA — also known as the Private Student Loan Transparency and Improvement Act of 2008 — amended the Truth-in-Lending Act in the following ways:

- ▶ New disclosures must be provided for private education loans at three different stages of the loan origination process: with the application, at loan approval and at consummation.
- ▶ Consumers must complete a self-certification form with information about the cost of attendance at the school the student will be or is attending.
- ▶ Consumers now have 30 days after the approval of a private student loan application to decide whether to accept the loan offered. The creditor may not change the rates or terms of the loan in question during those 30 days.
- ▶ Consumers have a right to cancel the loan for up to three business days after consummation of the loan. Creditors may not disburse funds until after the three-day cancellation period.

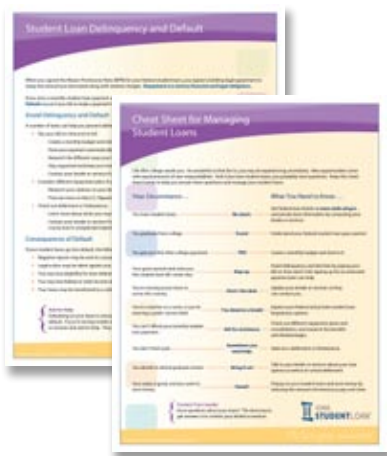
The board of governors of the Federal Reserve System uses Regulation Z to implement changes to the Truth-in-Lending Act. Therefore, you may hear these disclosure changes referred to as Regulation Z, Title X, Truth-in-Lending or TIL, or HEOA. ■

## New Fliers Promote Responsible Repayment

Schools may request a number of new fliers to help their students navigate student loan repayment. These pieces were created as stand-alone counseling pieces or supplemental documents for entrance and exit counseling. They also work well for one-on-one appointments with students, follow-up mailings and campus mailbox stuffers.

According to Heather Gaumer, school services liaison, "These items are ideal for helping students understand key details about loan repayment. They also provide straightforward facts to help students avoid delinquency and default."

The **Cheat Sheet for Managing Student Loans** covers the most important points of exit counseling in a two-sided flier. Students can easily see what information they should know during specific circumstances they may face in the future. One side is a chart for students to fill in key facts about their student loans, including lender contact information, loan amount and interest rate.



Another flier created specifically to go with exit counseling, the **Student Loan Delinquency and Default** flier, provides tips for avoiding delinquency and default and offers solutions for students struggling to make payments. It also lists several common consequences of default.

Both the Cheat Sheet for Managing Student Loans and the Student Loan Delinquency and Default work well as timely reminders during grace periods.

Today, many students are leaving school with multiple lenders or servicers for their federal loans. Iowa Student Loan created the **Locating Your Federal Student Loans** flier especially for these students. The document provides students with information about the National Student Loan Data System (NSLDS) Web site. The flier also lists tips for managing loans with multiple lenders to help with repayment. It is perfect for students with split servicing as an additional exit counseling piece and for all students as a timely piece during their grace periods.

The **What You Should Know About the Income-Based Repayment Plan** flier provides facts about the Income-Based Repayment (IBR) Plan as well as step-by-step directions on calculating a monthly repayment amount under the IBR Plan. The flier provides information about how interest is handled under the IBR Plan and also includes the Web address for the U.S. Department of Education's IBR Plan calculator. You may find this beneficial as a general federal student loan counseling piece or as a handout for students with higher debt levels.

Visit [www.studentloan.org/fao](http://www.studentloan.org/fao) for the latest news and offerings from Iowa Student Loan for financial aid officers. ■

## Providing 1,500 Loan Forgiveness Awards

For the Iowa Student Loan Nursing and Teacher Education Loan Forgiveness Programs, there is great news to share and look forward to.

Since the inception of the two loan forgiveness programs, Iowa Student Loan has made awards possible for more than 1,500 individuals who are currently employed in or considering specific career tracks in nursing and teaching. These individuals have already served Iowans in 86 of the state's 99 counties.

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During the 2009 – 2010 award year, 52 additional teachers and 28 additional nurses, including 10 nurse educators, were accepted into the programs.

## Nursing Education Loan Forgiveness Program

Numbers for the sixth year of the Iowa Student Loan Nursing Education Loan Forgiveness Program continue to tell an encouraging story of the program's benefits and the service provided to lowans across the state.

- ▶ **204 individuals** have received some loan forgiveness benefits for shortage area nursing or nurse instruction.
- ▶ **More than \$1.15 million** in loan forgiveness has been applied to individuals in nursing or nurse education shortage areas.

## Teacher Education Loan Forgiveness Program

Teachers who joined the Iowa Student Loan Teacher Education Loan Forgiveness Program its first year will start requesting their fifth year benefits of up to \$5,000 each next year. For the first four years of service, loan forgiveness recipients have earned \$1,000 for each year of qualifying service.

- ▶ **216 individuals** have received some loan forgiveness benefits for teaching in shortage areas.
- ▶ **More than \$458,000** in loan forgiveness has been applied to individuals for teaching in shortage areas. ■

## Contact Us

Please direct comments, questions and suggestions to:

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