

AMERICA'S STUDENT LOAN PROVIDERS

www.studentloanfacts.org



Overview of the Federal Family Education Loan Program

Federal Family Education Loan Program (FFELP) is the private sector student loan program that makes higher education affordable and accessible for millions of students and their families.

For 40 years, the members of America's Student Loan Providers (ASLP) have financed the higher education dreams of millions of Americans. ASLP represents the nation's leading providers of higher education funding. These companies and organizations provide federally guaranteed student loans through the FFELP, a unique public-private partnership of schools, students, loan providers and the government.

The FFELP is the most efficient and effective way to provide federal student loans. By leveraging private financial markets and competing for the right to lend to students, the FFELP brings value to students, schools, and taxpayers. Students benefit from the FFELP through lower interest rates and simplified loan application and approval processes. Schools benefit from the FFELP because the program allows them to choose the lender that best meets the financial needs of their students. Taxpayers have also benefited from the FFELP, as \$14 billion in excess funds from the FFELP has been sent back to the Treasury because the government significantly overestimated the cost of the program. And, in FY 2004, the federal dollars actually spent on the FFEL Program was less than \$900 million to support \$245 billion in outstanding guaranteed loans - less than four-tenths of a cent on every outstanding dollar. Here are the factors that have led to this impressive record:

Choice

"Having a choice is wonderful because more competition means students get a better deal."

Patricia Arauz, Financial Aid Office Director, University of Louisville, March 22, 2003, from the *Louisville Cardinal* school newspaper

The structure of the private sector student loan program provides schools, students and parents with numerous choices of lenders. These choices have resulted in:

- Schools being able to demand loan programs that meet the specific borrowing needs of their students
- Schools choosing the private sector student loan program over the government-run Direct Loan program - More than 500 schools have left the Direct Loan program and gone back to the private sector student loan program
- No lender has a monopoly on student loans in the private sector student loan program - Students and families are able to choose from programs that best serve their needs
- Investments in technology to simplify and streamline the student loan process.

Competition

“Private lenders tend to be more efficient, have better technology and are able to provide extra services that aren't available from the government.”

Seamus Harreys, Dean of Student Financial Services, Northeastern University, March 23, 2005, from the *Northeastern News* school newspaper

Competition in the student loan program has resulted in -

- Lower loan costs for students
- Specialized loan services that best meet the needs of schools, students, and parents
- Improved service for schools, students, and parents.

Cost

“Last May we decided to drop out and return to direct lending's predecessor, the Federal Family Education Loan (or guaranteed-loan) Program. Why, many colleagues asked, would we abandon a successful program to join its dated counterpart? The answer is simple: lower borrowing costs and a customized delivery system.”

Richard Eddington-Shipman, Director of the Office of Financial Aid at Michigan State University, *The Chronicle of Higher Education*, April 30, 2004

The result of choice and competition in the private sector student loan program is:

- Record low loan costs
- Record low default rates
- Record low program cost to the taxpayers.

Community

“(The U.S.) Treasury collected a total of \$651 million from FFELP-related activities in FY 2004 - \$631 million from taxable holders of FFELP loans and \$20 million from nonprofit institutions and state agencies that purchased services from taxable companies.”

Linden Smith and John Stell, *The Limitations of Budget Score-keeping in Comparing the Federal Student Loan Programs*, issued by PriceWaterhouseCoopers on March 3, 2005

The private sector companies and not-for-profit organizations provide more than student loans for millions of students. These companies provide significant economic benefits to their communities including:

- Millions of dollars of tax revenue to local, county, and state governments
- Millions of dollars in scholarships and charitable contributions and thousands of volunteers for community service
- Millions of dollars in programs promoting the value of a higher education to low- and middle-income students, as well as raising awareness of financial literacy, debt management and student aid