

Private Student Loans: Iowa Survey Results

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Caveat

▶ Any opinions expressed today are solely those of the speaker and do not reflect the opinion of the Iowa Attorney General.

AG's Survey History

- ▶ Surveyed lenders in 2019
 - ▶ Loans for 2017-2018 academic year
 - ▶ ~10k loans
 - ▶ 20 lenders
 - ▶ Loans included variable- and fixed-rate products
- ▶ Survey lenders in 2021
 - ▶ Loans for 2020-2021 academic year
 - ▶ ~7k loans
 - ▶ 10 lenders
 - ▶ Loans were only fixed-rate products

Survey Methodology

- ▶ Visited lender lists for all Iowa colleges and universities
- ▶ Compiled list of all lenders represented on lender lists
- ▶ Contacted all lenders seeking loan information for all loans with Iowa borrower or at Iowa school
- ▶ Received loan information from all lenders currently making private loans in Iowa

Similar Findings in Data Sets

- ▶ Better scores didn't always equal a better rate
- ▶ Rates for some "Excellent" borrowers/cosigners were the same or higher than some "Fair" or "Poor" borrowers/cosigners
- ▶ Advertised rates are often much lower than realized rates
- ▶ Comparison shopping matters!

Why It Matters



Right to Information: Iowa Code 261F.7

- ▶ Enacted in 2008
- ▶ States:

Except for educational loans made, insured, or guaranteed by the federal government, a lending institution included on a covered institution's preferred lender list shall, upon receiving a request from a borrower, covered institution, or government entity, disclose to the requester in reasonable detail and form, the terms of private educational loans made to borrowers by that lending institution and the rates of interest charged to borrowers for private educational loans in the year preceding the disclosures.

Federal Law - Access to Lender Information

- ▶ 12 C.F.R. 226.48(f) - a creditor with a preferred lender arrangement with a covered education institution shall provide the following information for each type of private education loan offered: (1) interest rates; (2) fees and default/late payment costs; (3) repayment terms; (4) cost estimates; costs estimates (total costs of the loan); and (5) eligibility

<https://www.ecfr.gov/current/title-12/chapter-II/subchapter-A/part-226/subpart-F/section-226.48>



Information = Win, Win

- ▶ Better loans for students
- ▶ Happier current students, students who struggle less
- ▶ Students who ultimately need less guidance from your office
- ▶ Easier repayment for students
- ▶ Financial health for alums
- ▶ Happier alums

How Can You Help?

- ▶ Well-Maintained Lender List
 - ▶ Current survey found multiple lenders who were no longer making private loans but remained on at least one school's lender list
 - ▶ Historical lender lists are only beneficial if all listed lenders are still lending
- ▶ Borrower Education
 - ▶ Use all federal student loan options first
 - ▶ Shop around and compare rates
 - ▶ Apply to multiple types of lenders (i.e. banks, credit unions, and not-for-profit)
- ▶ Information collected can be used internally or shared with students to show importance of comparison shopping and the difference between advertised and realized rates.

Preferred Lender Lists

- ▶ Do your research on who you recommend to your students
- ▶ Ranked lists
 - ▶ If you have done your own research
 - ▶ No outside incentives
- ▶ Avoid any pay for play
 - ▶ Adhere to State and Federal Rules (Iowa Code 261F, 34 CFR 601)
 - ▶ Be sure third parties do not utilize pay for play








