Helping Families Plan & Pay for College™

GUIDING PRINCIPLES FOR NONPROFIT, STATE-BASED, & STATE-CHARTERED ORGANIZATIONS WHO MAKE EDUCATION LOANS

This document serves as a guiding statement for nonprofit, state-based, and state-chartered organizations who make loans to cover educational expenses and/or loans to refinance existing education loan debt, outlining general principles which promote borrower success. A state-based education loan program is defined as an education loan program that is provided by a state agency, state authority, or nonprofit organization, separately, or jointly; makes loans not funded, insured, or guaranteed by the federal government; and is authorized, established, or chartered by state statute or otherwise approved by the state. Through the application of these guiding principles, borrowers will be able to expect a high level of accountability from nonprofit, state-based, and state-chartered organizations who make education loans, including timely and accurate responses to inquiries and complaints.

ADVISORY & OUTREACH PROGRAMS

Nonprofit, state-based, and state-chartered organizations who make education loans should serve as trusted guides, assisting students and their families in navigating postsecondary education options and offering free services related to accessing and paying for postsecondary education. To this end, nonprofit, state-based, and state-chartered organizations who make education loans should:

- Offer and/or partner with organizations in their state that offer FAFSA completion assistance and information on financial aid options and processes, including assistance with understanding financial aid award letters.
- Provide financial literacy education, which may include information about projected salaries and return on investment for specific degree programs.
- Assist borrowers and their families with managing the repayment of any loans taken out through the nonprofit, state-based, or state-chartered organization; this assistance should be provided within the context of all education debt held by the borrower and their family.
- Provide and/or partner with organizations in their state that provide services and specific outreach programs for minority and underserved populations.

ENCOURAGE SMART & RESPONSIBLE BORROWING

Nonprofit, state-based, and state-chartered education loan organizations should encourage families to make the best possible decisions for their individual circumstances. To this end, nonprofit, state-based, and state-chartered organizations who make education loans should:

- Encourage students to exhaust their Federal Direct Subsidized Stafford Loans and Federal Direct Unsubsidized Stafford Loans, grant aid, and family resources before taking out any other type of in-school loan.
- Clearly communicate the pros and cons of refinancing a federal loan into a non-federal loan, including the loss of federal benefits.
- For in-school loans, require that schools certify the enrollment, cost of education, and financial aid of each borrower in order to avoid unintentional over-borrowing. School certification acts as a check that the loan is being used for an educational purpose and that the amount borrowed is in line with the college's costs and the borrower's needs.
- Advise students and families to borrow only the amount they need. Selecting and paying for college is a family decision and, as such, the student and family need to understand the total cost of the college selected. Family members borrowing on behalf of a student or cosigning a student loan should be counseled to understand their rights and responsibilities in regards to repaying education loan debt.

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Affordable Loan Terms & Repayment Options

Nonprofit, state-based, and state-chartered education loan organizations should offer low-cost loans with transparent terms. These organizations should provide the in-depth counseling that borrowers need in order to understand and manage their loan responsibilities. These organizations should also guide borrowers through all repayment options available to them, with special attention paid to working with borrowers who experience economic hardship. To this end, nonprofit, state-based, and state-chartered organizations who make education loans should:

- Offer a low interest rate loan, including a fixed rate option, with low or no origination fee.
- Prominently disclose the annual percentage rate, financing costs, total cost of the loan, and other terms and benefits to the borrower prior to loan origination.
- Offer one or more flexible repayment options to meet the needs of families' varying financial situations. This may include grace periods, deferment, forbearance, temporary reduced payment plans, in-school interest-only payments, immediate repayment, refinancing options, disaster payment relief, varying repayment term options, or no pre-payment penalties.
- Proactively communicate with borrowers and cosigners to inform them of their rights, responsibilities, and repayment options.
- Develop a policy for advising their borrowers who may be impacted by a school closure.
- Explore partnership opportunities to assist borrowers in paying down their education loan debt.

Help for Borrowers in Distress

Nonprofit, state-based, and state-chartered education loan organizations should work closely with borrowers experiencing personal hardship or financial difficulties to offer guidance and assistance. To this end, nonprofit, state-based, and state-chartered organizations who make education loans should:

- Whenever possible, work with individual borrowers who have defaulted on their loans or who are experiencing long-term financial hardship to modify their repayment plan so the borrower stays on track with their repayment.
- Forgive the in-school loan(s) for a borrower who is the beneficiary of the loan proceeds who dies or becomes totally and permanently disabled after the full disbursement of the loan, and proactively inform borrowers and/or family members who are eligible for forgiveness. If the loan of such a deceased or totally and permanently disabled student borrower has a cosigner, the cosigner should be released from the obligation and the loan forgiven.
- Adhere to their long-standing practice of not accelerating or placing a good-standing loan in auto default due to a cosigner's death or bankruptcy filing.
- Proactively reach out to borrowers who are behind on payments and make every reasonable effort within existing laws and regulations to contact them and offer assistance before utilizing collection activities or taking legal action.
- In the event that collection activities are employed, charge only those collection fees that are reasonable in relation to the cost of collecting the debt.

This document is subject to be updated based on changing market conditions.

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