

ISL Education Lending's  
Support for the Education Finance Council's  
Guiding Principles for Education Loan Organizations



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

This document is intended to serve as a guiding statement for nonprofit, state-based, and state-chartered organizations that make loans to cover educational expenses, 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 that make education loans, including timely and accurate responses to inquiries and complaints.

### ADVISORY & OUTREACH PROGRAMS

Nonprofit, state-based, and state-chartered education loan organizations should serve as trusted guides, walking families through the maze of higher education options and offering comprehensive free advisory services. To this end, nonprofit, state-based, and state-chartered education loan organizations 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.

ISL Education Lending provides direct support for the Iowa College Access Network (ICAN) which offers FAFSA completion assistance to students across the state. This assistance includes use of our award letter tool, the College Funding Forecaster, and other smart borrowing tools. ISL Education Lending also offers information on financial aid options and processes through regular public blog posts at [www.iowaStudentLoan.org/Blog](http://www.iowaStudentLoan.org/Blog).

- ▶ Provide financial literacy education, which may include information about projected salaries and return on investment for specific degree programs.

Through its suite of online smart borrowing tools, more specifically the Return on College Investment or ROCI Tool, ISL Education Lending provides students with specific salary and return on investment information for hundreds of jobs, and ways to prepare for a financially beneficial career path.

- ▶ 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.

ISL Education Lending has a customer-focused call center with staff who utilizes a counseling approach when assisting borrowers to provide repayment options and information in a clear manner most applicable to the individual's situation. Detailed information about repayment options is also available on our website.

- ▶ Provide and/or partner with organizations in their state that provide services and specific outreach programs for minority and underserved populations.

ISL Education Lending accomplishes this through our support for ICAN and its outreach efforts to minority populations. In addition, support for underserved populations is provided in collaboration with local programs, including University of Iowa REACH (Realizing Educational and Career Hopes) for students with intellectual, cognitive and learning disabilities, the Bridges to Success program striving to increase high school equivalency diploma completion by adult students, and the By Degrees Foundation which encourages underserved students to continue their education beyond high school.

## 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 education loan organizations 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 loan.

ISL Education Lending provides detailed information regarding the benefits of exhausting all other sources of aid prior to utilizing private education loans within all loan applications, online and within marketing materials. One specific message, bolded within the web copy, is: ISL Education Lending's Partnership Advance Education Loan® (Partnership Loan) is designed to supplement — not replace — other sources to fill funding gaps for students and parents. Students and parents should work with financial aid professionals at their respective colleges and universities to explore and exhaust all sources of student financial aid before seeking a Partnership Loan.

- ▶ 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.

All private student loans offered by ISL Education Lending require school certification.

- ▶ 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 responsibilities in regards to repaying education loan debt.

As part of all ISL Education Lending private loan applications, both students and parents or cosigners are required to complete targeted versions of the online Student Loan Game Plan tool. The Student Loan Game Plan provides the guidance outlined above, in addition to other financial literacy tips and information.

## 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 low, fixed interest rate loan options with low or no origination fees.

ISL Education Lending's Partnership Loan offers fixed and variable tiered interest rates options with low or no origination fees.

- ▶ 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.

In keeping with our desire for transparency, ISL Education Lending provides the details, including APR, finance charges and origination fees, on qualifying FICO scores for the loan's four interest rate tiers up front, before a student even begins the application.

- ▶ Offer one or more flexible payment 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, or varying repayment term options.

The Partnership Loan offers immediate repayment, interest-only payment and deferred payment options. The Partnership Loan includes 10-year and 15-year principal and interest repayment periods and a six-month separation period for interest-only and deferred payment plans.

- ▶ Proactively communicate with borrowers and cosigners to inform them of their rights, responsibilities and repayment options.

This information is available online for viewing prior to loan application. A dedicated call center is available to provide information for interested individuals prior to application regarding responsibilities and repayment options.

## 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 education loan organizations should:

- ▶ Wherever 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.

As part of ISL Education Lending's counseling approach, struggling borrowers are offered alternative payment arrangements.

- ▶ Forgive the loan(s) of a deceased or totally and permanently disabled student borrower who is the beneficiary of the loan proceeds, and proactively inform borrowers and/or family members who are eligible for forgiveness. If the loan of a deceased or permanently disabled student borrower has a cosigner, the cosigner should be released from the obligation and the loan forgiven.

In the unfortunate event of a borrower's or cosigner's death or permanent disability, ISL Education Lending has policies in place to release cosigners from the loan obligation. In addition, we support Stop Taxing Death and Disability legislation which would put an end to the borrower (or their estate) having tax liability on the amount forgiven.

The EFC is the national trade association representing nonprofit and state-agency student loan organizations. EFC members are driven by public-purpose missions to expand borrowers' financial knowledge, prevent over-borrowing, and promote positive repayment behavior. To learn more, visit [www.EFC.org](http://www.EFC.org).

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

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