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Overhaul of Federal Student Lending Has No Impact on Private Student Lending Opportunity

Washington, D.C. (September 18, 2009)—Hoping to save billions in subsidies over the next decade, the House of Representatives passed a bill yesterday that would cut out private lending institutions from originating Federal student loans. According to Jon Jeffreys, President of Credit Union Student Choice, while this measure would have grave ramifications for all lenders who originate Federal student loans, the opportunity for credit unions in private student lending remains strong.

“The bill obviously has a huge impact on lenders who participated in the Federal Family Education Loan Program (FFELP), whereby they were able to originate Federal student loans,” said Jeffreys. “However, it’s important to note the distinction between Federal and private student loans. While they do share the same bankruptcy exemption as Federal student loans, private loans are completely separate from the Federal government and are meant to help students fill the funding gap after Federal loans have been exhausted. The demand for these loans remains very strong—to the tune of nearly \$15 billion this year alone.”

With ongoing economic challenges and ever-increasing college costs, Jeffreys points out that demand is sure to remain strong for years to come, giving credit unions an incredible opportunity. “Credit unions involved in the Student Choice program experienced tremendous loan volume this summer,” said Jeffreys. “There is a critical need for lenders who can offer fair-value private student loans, and our credit unions are filling that need. We certainly look forward to helping credit unions who’ve been active in FFELP, as they look for new business solutions in replacing those federal student loans.”

Credit Union Student Choice is a credit union service organization (CUSO) that provides turn-key private student lending services to the largest nationwide network of participating credit unions. The CUSO currently work with 83 credit unions, enabling them offer private student loans to more than five million members and nearly 90 million potential members.

“As not-for-profit cooperatives with an ability to lend from their own balance sheet, credit unions have a business model that makes them uniquely suited to deliver superior economic value in private student lending,” said Jeffreys. “This summer alone, our credit unions approved more than \$100 million in loans, helping over 5,000 students attend college this fall. Add in the fact that the average loan rate was approximately 6%—a figure that is nearly 400 basis points below the average private student loan rate

being charged by the nation's largest student lending companies, and it's very apparent that credit unions are providing superior economic value to consumers."

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About Credit Union Student Choice

Credit Union Student Choice is a credit union service organization (CUSO) founded in 2008 by several of the nation's leading credit unions and CUSOs. Student Choice positions credit unions as leaders in education financing in the 21st century by redefining value for student borrowers and helping credit unions connect with new Gen Y members. The Student Choice network enables credit unions of all asset sizes and fields of membership to make private student loans that may be held on their own balance sheet to recognize the long-term economic return of the loan relationship versus a one-time referral fee. To learn more visit www.studentchoice.org or call 800-237-5678.
