

Highlights of the Student Loan Credit Crunch **Mark Kantrowitz, Publisher, FinAid.org**

- Pullback in the capital markets
 - FFELP securitization volume down 57% year-over-year
 - No securitizations of FFELP loans originated since 10/1/07
 - No securitizations of private student loans since last year
 - No successful bond issues by state loan agencies since last year
 - Auction-rate securitization market is dead
 - Cost of funds has increased by 137 basis points
 - Index rate mismatch of 35 to 40 basis points, up from 7 basis points
 - College Cost Reduction and Access Act of 2007 cut 65 to 72 basis points from for-profit lender margins and 50 to 57 basis points from non-profit lender margins
- Unprecedented exodus of education lenders
 - 57 lenders have suspended participation in one or more federally-guaranteed education loan programs (50 from all of FFELP, 7 just consolidation loans)
 - 19 lenders have suspended private student loan programs
 - Every type of lender is affected, including 9 non-profit state loan agencies, 19 banks, 2 non-profit lenders, 2 credit unions and 26 non-bank lenders
 - More than 2,509 layoffs industry-wide
 - Major lenders have suspended their participation
 - 8 of the top 10 consolidators
 - 27 of the top 100 consolidators
 - 21 of the top 100 originators of Stafford and PLUS loans
 - Large percentage and amount of loan volume
 - 13.0% of FY2006 FFELP Stafford and PLUS loan volume
 - 67.1% of FY2006 FFELP Consolidation loan volume
 - \$6.5 billion in Stafford and PLUS loans to more than 800,000 borrowers
 - \$48.5 billion in Consolidation loans to more than 1.6 million borrowers
 - An additional 46 school-as-lender schools have lost their lender partners.
 - 3.3% of FY2006 FFELP Stafford and PLUS loan volume
 - \$1.6 billion in Stafford loan volume to 200,000 borrowers
 - 10 of the top 100 originators of FFELP Stafford and PLUS loans
- Cost and availability
 - Lenders cutting Stafford and PLUS loan discounts in half
 - Lenders eliminating Consolidation loan discounts
 - Lenders increasing interest rates on private student loans by an average of 0.86%
 - Lenders raising FICO score thresholds on private student loans from 620 to 650 or even 680 or 700
- Recent events
 - Sallie Mae, the nation's largest education lender, stopped making consolidation loans and suspended its Stafford loan fee waiver program
 - The Education Resources Institute (TERI), the largest nonprofit guarantor of private student loans, filed for Chapter 11 bankruptcy
 - Nelnet sold two portfolios of loans totaling \$1.2 billion for an after-tax loss of \$28 million