

# The Intersections of Market Pressures on Student Loans

Minnesota Private College Council — Fall 2007

## Effects of Sub-Prime Mortgage Crisis

- Tighter credit standards
- Higher fees
- Increased private loan rates
- Pressure to share risk
- Lenders limit clientele
- Increased pressures from rating agencies
- Increased pressures from international capital markets on securitized packets
- Increased defaults
- Pressure on governments for bailouts

## Changes in Policy/Law and SLMA Purchase Unraveling

- FFELP lenders abandon program
- Lenders move to more profitable private loan volume
- No effective secondary market for FFELP
- More pressure and scrutiny on Direct Student Loan Program
- More direct mail marketing - limiting institutional roles - more pressure on families
- PLUS access and pricing becomes more complicated
- More pressure on institutions to limit price growth
- SLMA borrowers stuck and increased collection pressures spread

## First to Suffer

- Low-income families
- Students/families with high credit risk
- International students
- Students requiring major borrowing in graduate/professional programs
- Institutions that are debt dependent