

JAMES MADISON UNIVERSITY

Office of Financial Aid & Scholarships Private/Alternative Loan Lender Policy

Responsible Individual: Assistant Director for Loans
Effective Date: April 2009
Revised Date: March 2, 2020

This policy addresses the Office of Financial Aid and Scholarships' relationship with lenders on the JMU private/alternative lender list.

Mission Statement

We will ASSIST with identifying and obtaining resources to finance higher education; DELIVER funds in a timely and equitable manner; and EDUCATE, so that informed financial decisions can be made.

Preferred Lender List

In keeping with the mission of the Office of Financial Aid and Scholarships, we feel it is our responsibility to identify lenders offering students and parents the best possible private loan products to fund students' educations. We aim to identify lenders who provide excellent customer service and affordable education loans. We seek what is in the best interest of our students.

We encourage our students and parents to research lenders before selecting one to process their loans and no one is required to use a lender on our Preferred Lender List. Our office will process a loan from any qualifying lending institution a student or parent chooses to use. However, in most cases, because of the standards we have to include a lender on our Preferred Lender List will be more cost effective for borrowers to select one of these lenders.

Our office does not enter into contracts with lenders promising them a specific amount of loan volume in return for any benefits the lender may provide to JMU; this includes entering into revenue sharing or reinvestment agreements. Lender benefits to JMU are not a consideration when selecting lenders to be a part of our Preferred Lender List.

Lender Selection

All lenders completed the request for information (RFI) questionnaire which can be found: N:\AEM\FinAid\Common\Policy & Procedures\Loans\2020-21\Private RFI\RFI Questionnaire. This RFI was created with the students' interests in mind. RFIs submitted within the required time frame were analyzed using a lender comparison matrix: N:\AEM\FinAid\Common\Policy & Procedures\Loans\2020-21\Private RFI\Private RFI Comparison Matrix. The completed RFIs and comparison matrix are stored N:\AEM\FinAid\Common\Policy & Procedures\Loans\2020-21\Private RFI.

As demonstrated on the lender comparison matrix, 19 of the 30 questions were graded from 1-3 (1=lowest, 3=highest). Lenders must have a minimum score of 38 to be included in the lender list. Lenders with a score less than 38 were not selected for the JMU Private Lender List. A score

of 37 or less reflects a lender with a loan product and/or process that scored low because each question did not merit a 2 or higher and therefore did not meet JMU's minimum standards.

This is subject to change year to year. We research and review loan criteria to determine what is "average" in the current market. Criteria that are considered average will receive a mid-line score of 2. Criteria that offers a greater-than-average benefit to students will receive a score of 3. Criteria that are below average will receive a score of 1.

Updating the Preferred Lender List

The Associate Director of Operations, Assistant Director of Loans, or Private Loan Coordinator will contact each lender of the Preferred Lender List at least annually, usually in February/March, to discuss the borrower benefits listed on the publicized Preferred Lender List for two reasons:

- Ascertain if any of the existing publicized benefits have changed. If the benefits have been decreased and no notice was given to our office about the decrease, then this will be considered in making a decision as to keep or remove the lender from the list. We expect lenders to notify us immediately if they are considering changing the benefits offered to JMU borrowers.
- Discuss current benefits with the goal of improving what is offered to JMU borrowers.

Lenders will frequently contact our office requesting to be added to the Preferred Lender List. Any lender making a contact of this nature will be listened to and their benefits and services reviewed as time allows. If the benefits and services to JMU borrowers exceed what is currently being offered by all of the lenders on the Preferred Lender List, then the RFI review team will meet to review the list and discuss possible changes based on this new information.

We reserve the right to remove a lender from the preferred lender list upon learning the loan product(s) and/or processing and procedures no longer meets the criteria established in the RFI. For example, if we have documentation supporting the fact that a lender has repeatedly not met our standards for a particular criterion, then we will first try to rectify the situation with the lender. If the lender continues to not meet our standards, a warning will be sent to the lender. If the lender does not meet our criteria after these two previous communications, JMU will remove the lender from the lender list and notify the lender. A lender may be placed back on our list if they can provide documentation that they have made changes sufficient to meet our minimum requirements.

The Value of Customer Service

Customer Service is an essential quality in any lender yet difficult to qualify via a questionnaire such as the RFI. We reserve the right to remove a lender from the preferred lender list if they consistently provide poor customer service. JMU will document repeated incidents of poor customer service and contact the lender to resolve the poor service. If the lender continues to provide poor customer service, we will send a warning to the lender that they are at risk of being removed from the lender list. If the lender does not improve their customer service after this communication, JMU will remove the lender from the lender list and notify them.

All decisions will be made with the best interest of the student as the primary focus.

2020-21 RFI Questions:

✚ Topic: Communication/Training

NOT Scored:

What is the web link for your borrower services online access?
What is the web link for your school services online access?
How do you prefer JMU financial aid officers communicate with you regarding specific loan processing?
What financial literacy do you provide to borrowers?

Scored:

Please explain your default prevention process, particularly what steps you take to prevent delinquency, to contact students who are delinquent, and to prevent delinquent students from defaulting.
What training does your school services team and borrower services team receive? Please outline training provided for each. <i>***We are noticing an inconsistency in information given to loan borrowers vs. the information that is given directly to JMU, regarding loan processing. For example, JMU does not have the ability to “expedite” a disbursement, and requests the soonest disbursement date available; however, borrowers might be told to contact our office to change the disbursement date. Please explain how, in your training processes, you are ensuring consistency between the school and borrower services teams.***</i>
Are you willing to notify JMU of loan product changes as they occur? What communication methods are used to notify us?

✚ Topic: Interest Rates

NOT Scored:

Are your interest rates fixed and/or variable?
What is the highest interest rate which may be charged? The lowest?

Scored:

What is the interest rate cap?
When does interest begin to accrue? How often is interest capitalized? If applicable, does interest accrue during a grace period, before repayment begins?

✚ Topic: Borrower Criteria

NOT Scored:

What is the credit criteria for borrower/co-signer?
Please detail the circumstances in which a co-signer is not required.
Is there a co-signer release option? If so, what are the requirements?

Scored:

What is the minimum income requirement?
What is the average approval rate for JMU borrowers for the past 2 years?

 **Topic: Fees**

Scored:

List all front end fees. If there is an origination fee, how is it calculated in the initial certification amount?
List all back end fees

 **Topic: Lending Criteria-Academic**

Scored:

What is the minimum loan amount that a borrower can receive? Maximum amount? <i>**Within a current academic calendar year**</i>
Can loans be provided for past due balances? If so, provide as much detail as possible about the requirements.
Is SAP required? If so, how is the requirement communicated during the application process? If the SAP requirement is not based on the school's SAP policy, please include a copy of your SAP policy.
What are the minimum enrollment requirements? Can loans be certified for certificate and/or continuing education students?

 **Topic: Repayment**

NOT Scored:

What are the repayment Benefits/Options? Please also explain the ease of obtaining and retaining these benefits.
Do you offer consolidation options? If so, please provide as much detail as possible.

Scored:

Please explain your loan forgiveness and/or loan deferment options. How do borrowers qualify, and explain the ease of obtaining and retaining these benefits.

 **Topic: Certifications/Disbursements**

Scored:

Do you work with Great Lakes to send & receive loan changes? How and when do you notify JMU of changes (including but not limited to cancelled certifications and reductions to loan amount, etc.) to a borrower's loan?
How frequently do you send certification requests, loan changes, and other updates to Great Lakes? How frequently do you pull certified loan information and loan changes from Great Lakes?
How long can a loan be in a pending status before loan application credit expires?
When you send a certification to JMU, have the borrowers met all of your loan requirements? We want to avoid the situation where a certification request is sent but the borrower or co-signer has not completed all paperwork, provided all disclosures, submitted the self-certification form, and/or is not 100% approved for the loan based on lender requirements.
Do you work with Great Lakes for disbursements and return of funds? If not, please outline your procedures.

 **Topic: Miscellaneous**

NOT Scored:

*If you would like to list any additional miscellaneous benefits your organization provides, please list them in the space below **Note: 1000 character limit*

Outreach & Engagement Private Lender List

The office of Outreach and Engagement certifies private education loans for not-for-credit students, and, beginning with the summer 2017 using Great Lakes' Fast Choice platform, posts a list of lenders that make loans for not-for-credit students. The Office of Financial Aid and Scholarships' annual RFI is also used to determine Outreach and Engagement's lender list because of Financial Aid's RFI question under "lending criteria-academic" regarding enrollment, including for not-for-credit coursework. Outreach and Engagement will only include lenders on their list who certify loans for not-for-credit courses. Upon Financial Aid's completion of the annual RFI, Financial Aid will notify Outreach & Engagement which lenders are eligible so Outreach may update their list. Should there be fewer than three lenders meeting the list requirements, Outreach will not post a lender list for that year.