



Easy Steps to Implement a Preferred Lender List

Institution can keep it **simple and manageable** – a couple of hours annually

- Implement an RFI
- Post all required information on your website



Implement an RFI

- Create a list of relevant questions
- Develop your lender evaluation criteria
- Select your lender candidates and ask each to answer the questions you have created
- Grade your lenders' responses
- Based on their replies, rank each lender from first to last for each of the following criteria
- You may follow our sample RFI, or create your own
 - List of questions
 - Evaluation criteria
 - Scoring format



Sample RFI and Scoring System

Lender	Lender Rank						
	A	B	C	D	E	F	G
Loan Rate							
Loan origination fees							
Repayment fees							
Loan limits							
Does lender have "second look" policy?							
Does the loan program have cosigner release?							
Any borrower benefits or repayment incentives?							
Number of years lender has provided student loans							



Sample RFI and Scoring System

	Lender Rank						
Lender	A	B	C	D	E	F	G
What are ways customers can contact your organization?							
What are Lender's acceptance rates?							
Does your company expect to be available for private lending in the 2011-2012 academic year?							
Describe other ways your company assists both the applicant and the institution with the delivery of your product.							
Please describe loan processing flow including application, prom notes, disclosures, certification and EFT funds delivery.							



Sample RFI and Scoring System

Lender	Lender Rank						
	A	B	C	D	E	F	G
Do you sell your loans?							
If you sell your loans, will the new owner honor the borrower benefits advertised?							
What debt management services do you provide?							
Other institution specific question(s)							
Total Score							

- Add scores
- Select the **lowest scoring** for your list



Post all required Lender List information to your website

- A statement detailing all federal loan/grant aid available and advising families to exhaust these alternatives first
- Your lender list, which must have at least 2 unaffiliated lenders^[1]
- The methodology and criteria you used to select your lenders
- A statement advising students they may chose lenders that are not on the list
- Application and Disclosure forms for each lender, in PDF format or through links to the lender's website
- An annual Preferred Lender Arrangement (PLA) report (format yet to be defined by ED)
- Update your Preferred Lender List at least annually

^[1] You may, but are not required to disclose details of relationships between affiliated lenders.



Post all required Lender List information to your website (cont)

- **A statement detailing all federal loan/grant aid available and advising families to exhaust these alternatives first**

Sample

“Private education loans are credit-based consumer loans that can be used to pay any post-secondary education-related expenses, including tuition and fees, books, and transportation. Always consider your lowest-cost options first, including grants, scholarships, and federal student loans. Information on Federal Loans can be found at the links below.

After exhausting loan opportunities available from the federal aid programs, many students will consider private loan programs as an additional source of funding. ABC University maintains a list of private loan lenders that we believe offer strong customer service, competitive loan terms, and easy loan processing.”



Post all required Lender List information to your website (cont)

- **Your Preferred Lender List (at least 2 unaffiliated lenders)**[\[1\]](#)

Sample

- Loan: The Perfect Student Loan
- Lender: The Good Guys Bank
- Customer Service: 1-800-555-1234
- Interest Rate and Disclosure Information
- APPLY NOW

- To ensure no bias you should periodically rotate your list

[\[1\]](#) You may , but are not required to disclose the details of relationships between affiliated lenders.



Post all required Lender List information to your website (cont)

- **The methodology and criteria you used to select your lenders**

- Describe the loan terms and conditions favorable to the borrowers

Sample

“When reviewing submitted proposals, we considered the following **loan terms and conditions favorable to the borrowers** in order of importance:

- Competitive interest rates and fees
- Competitive loan terms
- High quality servicing
- Borrower benefits
- We also considered the stability of the lenders and the flexibility of the loan programs to meet student needs. We believe the lenders selected have a history of demonstrating their commitment to offering students and families the best private loan options.”



Post all required Lender List information to your website (cont)

- **A statement advising students they may chose lenders that are not on the list**

Sample

“You are not required to borrow from any of the lenders on this list. You may choose any lender. ABC University will process loans from any eligible lender you select.”



Post all required Lender List information to your website (cont)

- Application and Disclosure forms for each lender, in PDF format or through links to the lender's website

Sample

- Loan: The Perfect Student Loan
 - Lender: The Good Guys Bank
 - Customer Service: 1-800-555-1234
 - Interest Rate and Disclosure Information
 - APPLY NOW
-
- An annual Preferred Lender Arrangement (PLA) report (in format yet to be defined by ED)
 - Reasons why your school selected each lender
 - Reasons why the terms and conditions of each loan are beneficial to the borrower
 - Report is also submitted to ED
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- Update your Preferred Lender List at least annually
 - Just repeat this process



This information is provided as a tool for institutions and is an overview of current guidance and directives from the U.S. Department of Education and as always are subject to change. This overview is intended to help institutions understand their requirements and should not be construed as legal advice.