



Memorandum

To: Alaska Student Loan Corporation Members
Thru: Diane Barrans, Executive Officer
From: Charlene Morrison, Chief Finance Officer
Date: April 27, 2015
Re: Education loan origination fee

Alaska Statute 14.42.200(9) authorizes the Alaska Student Loan Corporation (Corporation) to set and collect interest, fees and charges in connection with education loans or repayment obligations held by the corporation and its servicing agents. Alaska Statute 14.43.120(u), which is applicable to the Family Education Loan (FEL), caps the origination fee at 5%.

Last year program regulation 20 AAC 15.855(e) was revised subsequent to an extensive survey of potential borrowers which indicated a strong aversion specific to loan fees regardless of the overall cost of a loan. The regulation now states, "If the corporation sets a loan origination fee, the corporation will not set a fee that exceeds five percent of the total education loan amount." This regulation is applicable to loans the corporation finances. The origination fee for loans originated for the 2014-2015 academic year was set at zero percent by the board at its May 8, 2014 meeting.

Given our current underwriting practice of requiring a FICO score of 680 or better for the borrower or qualifying cosigner and the related positive effect this practice has on loan performance, management is recommending the fee remain at zero percent until such time that program modifications may warrant an increase in the fee.

Requested Motion:

Move approval of a zero percent origination fee.