



Memorandum

To: Alaska Student Loan Corporation Members
Thru: Diane Barrans, Executive Officer
From: Charlene Morrison, Chief Finance Officer
Date: April 27, 2015
Subject: Request for Approval of academic year 2015-2016 Borrower Benefit Package

The Corporation began providing borrower benefits in FY2003, the year it significantly revised the Education Loan Program. Borrower benefits lower borrower-paid costs and incent and reward certain behaviors in the Corporation's borrower population. Management annually considers: historical benefits, the Corporation's financial position, and the need for benefits relative to the State's goals for its education loan programs. After considering each of these factors, management makes a recommendation to the Board for their consideration. If changes to the borrower benefit package are approved, management must request and receive rating agency confirmations prior to the new benefits becoming effective. A rating agency confirmation must be received from each rating agency rating the bonds supported by loans eligible for the benefits. The confirmation is the rating agency's communication to investors (current and potential) indicating no negative impact related to the new benefit package.

Management recommends no change in the borrower benefit package for eligible loans outstanding during the 2015-2016 academic year. This maintenance package consists of the following benefits:

Alaska presence - 0.50% effective interest rate reduction applicable to:

- Fixed rate loans:
 - Alaska Supplemental Education Loans (ASEL) in an in-school or grace period status, in student deferment or in repayment and current on repayment schedule; and,
 - Professional Student Exchange Program (PSEP) loans in repayment and current on repayment schedule.

Online Auto Pay - 0.25% interest rate reduction available on all alternative/federal education loans while current in repayment status.

In addition, benefits committed for loans made in prior years, the Timely Payment Benefit, will be honored on all qualifying loans. Management currently estimates that the eventual ^{Agenda Item 9} cost associated with that benefit is approximately \$2.0 to \$4.0 million and will be substantially paid out over the next eight years.

Management estimated that the 2014-2015 academic year benefit package would cost the Corporation approximately \$1 million which is very close to the current projection.

The 2015-2016 academic year benefit package, if approved as recommended, is projected to cost the Corporation approximately \$1 million.

Please find attached charts which illustrate the recommended 2015-2016 academic year loan rates and benefits as well as a summary of inception-to-date borrower benefit costs through March 31, 2015.

Requested Motion:

Move approval of the 2015-2016 academic year Borrower Benefit Package as recommended by management.

ATTACHMENTS

Proposed 2015-2016 Alaska Education Loan Rates and Benefits

	Fixed Rate ASEL		Variable Rate ASEL ¹	Fixed Rate ALT Consolidation	Fixed Rate PSEP	Fixed Rate FEL
	In-School	Repayment	Repayment, unless indicated otherwise	Repayment		In-School and Repayment
Base Rate	6.25%	6.25%	2.80% 2.70% ²	6.25%	6.25%	6.25%
Alaska Presence	0.50%	0.50% ³			0.50% ³	
Online Auto Pay ³		0.25%	0.25%	0.25%	0.25%	0.25%
Lowest Rate Equivalent in Qualifying Periods	5.75%	5.50%	2.55% 2.70% ²	6.00%	5.50%	6.00%

Note: Alaska Education Loan Borrower Benefits are cost reductions, typically applied as quarterly or annual account credits or rate reductions to reduce the borrower-paid costs whenever the Alaska Student Loan Corporation has the financial capacity to do so. **Benefits are variable, meaning that a benefits package is approved and applicable for each program year.** Borrowers who default on their loans forfeit some or all benefits. Alaska Education Loan Borrower Benefits are available only on Alaska Student Loan Corporation loans.

¹ No longer originated but rate is reset annually for existing variable rate loans.

² Applicable in-school interest rate.

³ Applicable only on loans in repayment not in deferment, forbearance, or past due status.

**Borrower Benefit Statistics
as of 04/09/2015**

	General Benefit Amount	AK Presence Amount	48 On Time Payments Amount	Online Auto-pay Amount	PLUS Cost Refund
FY2002	-	-	-	-	-
FY2003	170,000	86,003	-	135,000	-
FY2004	459,000	764,189	-	146,000	-
FY2005	628,000	1,129,817	-	176,000	-
FY2006	803,700	1,554,266	-	205,600	-
FY2007	251,508	1,922,983	51	244,105	49,682
FY2008	510,621	2,255,253	179,461	277,994	66,087
FY2009	757,153	1,652,420	244,064	302,676	5,231
FY2010	185,608	1,127,461	315,598	329,121	-
FY2011	(54)	354,260	370,054	339,323	-
FY2012	(27)	337,776	397,868	337,275	-
FY2013	-	315,091	470,058	317,044	-
FY2014	-	285,546	435,863	292,083	-
FY2015	-	250,677	458,783	196,692	-
	\$ 3,765,509	\$ 12,035,742	\$ 2,871,800	\$ 3,298,913	\$ 121,000

	BCR Amount	Base Rate In-school Amount	Fees pd for borrower		Total
			Stafford Origination	Guarantee or Default	
FY2002	1,149,390	-	-	-	1,149,390
FY2003	1,125,018	306,000	96,211	-	1,918,232
FY2004	883,767	643,000	153,754	-	3,049,710
FY2005	793,978	943,000	190,597	84,157	3,945,549
FY2006	721,005	-	214,616	1,208	3,500,395
FY2007	439,399	-	465,027	191,368	3,564,123
FY2008	385,722	-	457,242	316,122	4,448,502
FY2009	323,639	-	453,469	269,008	4,007,660
FY2010	272,230	-	242,192	324,309	2,796,518
FY2011	-	-	1,030	3,432	1,068,046
FY2012	-	-	(197)	(411)	1,072,285
FY2013	-	-	-	-	1,102,193
FY2014	-	-	-	-	1,013,492
FY2015	-	-	-	-	906,152
	\$ 6,094,148	\$ 1,892,000	\$ 2,273,941	\$ 1,189,193	\$ 33,542,247