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Opportunity for Credit Unions in Private Student Lending Remains as Proposed Presidential Budget Outlines Big Changes for Federal Student Loan Program

Washington, D.C. (February 27, 2009)—President Obama’s recently released 2010 budget proposal contains several striking changes in federal student aid programs—most notably, the elimination of the Federal Family Education Loan (FFEL) program—by the beginning of the 2010-11 academic year. According to Jon Jeffreys, President of Credit Union Student Choice, while this proposal raises many questions for those lenders involved in the FFEL program, the opportunity for credit unions in the private student lending market remains great.

“Shifting all federal student loans into the government’s direct-loan program will obviously have a huge impact on lenders who participate in the FFEL program, but it also underscores the tremendous opportunity that exists for credit unions in private student lending,” said Jeffreys. “The demand for private student loans, which help students fill the financing gap that exists after federal loans have been exhausted, continues to rise. And the need for lenders who can provide fair loan choices to America’s college students has never been greater.”

Since launching in May 2008, Credit Union Student Choice has enabled 26 credit unions to offer private student loans to their members, resulting in more than \$23 million in funded loans.

“As not-for-profit cooperatives with an ability to lend from their own balance sheet, credit unions have a business model that makes them uniquely suited to deliver superior economic value in private student lending,” said Jeffreys.

The numbers back up that claim as the average interest rate on all the private student loans disbursed by *Student Choice* and its partner credit unions is just 5.875%—a figure that is comparable to the rate on federal loan programs and nearly six full percentage points below the average private student loan rate currently being charged by several of the nation’s largest student lending companies.

“We’ll be adding 25 more credit unions to our network within the next three months and I’m confident we will continue to bring unmatched value to borrowers,” said Jeffreys. “We also look forward to helping those credit unions who have been active in the FFEL program, as they will be forced to look for new business solutions in replacing federal student loan volume in their portfolios.”

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About Credit Union Student Choice

Credit Union Student Choice is a credit union service organization (CUSO) founded in 2008 by several of the nation’s leading credit unions and CUSOs, Credit Union Student Choice positions credit unions as

leaders in education financing in the 21st century by redefining value for student borrowers and helping credit unions connect with new Gen Y members. The Credit Union Student Choice network enables credit unions of all asset sizes and fields of membership to make private student loans that may be held on their own balance sheet to recognize the long-term economic return of the loan relationship versus a one-time referral fee. The CUSO helps credit unions by managing many of the challenges and risks commonly associated with student lending. To learn more or find out how your credit union can participate, visit www.studentchoice.org or call 800-237-5678 and ask for a Credit Union Student Choice representative.

The 23 credit unions live on the Student Choice network (along with their asset size) include: ABNB FCU (\$368M), Affinity Plus FCU (\$1.4B), Addison Avenue FCU (\$2.1B), Alabama CU (\$282M), AmeriChoice FCU (\$145M), Digital FCU (\$4.1B), Directions CU (\$518M), Eli Lilly FCU (\$828M), Grow Financial FCU (\$1.8B), HawaiiUSA FCU (\$975M), Irving City Employees FCU (\$36M), Leaders CU (\$105M), Members 1st FCU (\$1.5B), Motorola Employees CU (\$661M), NASA FCU (\$900M), Northwest FCU (\$1.6B), NuUnion CU (\$812M), Polish & Slavic FCU (\$1.2B), San Antonio FCU (\$2.5B), Star One CU (\$3.8B), Visions FCU (\$2.1B), Workers CU (\$595M), and Wright-Patt CU (\$1.4B).