

MPN Processing Tip

It's peak processing season again as the majority of borrowers begin submitting their MPNs. For borrowers who complete a paper MPN, please remember to review it for the following before mailing the MPN to iLink:

- ▶ If there are any edits or changes to the MPN, the borrower must cross out the incorrect information, enter the new information and then initial the correction.
- ▶ If the lender name has changed or if the lender name was entered by someone other than the borrower (e.g., permission granted via a phone call, e-mail request, etc.), the borrower must also initial the lender name.

If Iowa Student Loan receives an MPN that has problems with one of these issues, we will return the MPN to the school, or the borrower if Iowa Student Loan is unable to determine the school of attendance, for the borrower's signature.

Please encourage students to apply online. Entering this information electronically should reduce, if not eliminate, the need for corrections. **Note:** If the borrower's Social Security number is entered incorrectly online, the borrower will be required to complete a new MPN.

Thank you for your assistance and happy processing!



Contact Us

Please direct comments, questions and suggestions to:

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The President's Message: Finding Solutions to Unprecedented Challenges

The expression "May you live in interesting times" is attributed to an ancient Chinese blessing – or curse. The national credit crunch impacting student loans is certainly creating interesting – and unprecedented – times for all of us trying to make resources available to students for a postsecondary education.



Steve McCullough
President & CEO

Secondary markets and non-bank providers have been hit hard. Most are unable to access capital to make or buy loans. In addition, Congress cut student loan yields for lenders last fall. These two factors have resulted in many lenders suspending, withdrawing or cutting back on student lending. More than 50 lenders, making up a large percentage of all student loans, have recently made announcements regarding adjustments to their student loan lending programs, including Sallie Mae, Nelnet, Bank of America, Citibank and JPMorgan Chase.

In a recent letter to Federal Reserve System Chairman Ben Bernanke, Chris Dodd (D-Conn.), Chairman of the Senate Committee on Banking, wrote:

"... the problem is not with the fundamental credit quality of Stafford Loans, or AAA-rated, private loan assets, but rather due to a breakdown in the markets which have been the primary funding sources for student loans – the auction-rate securities market and the market for student loan-backed securities. As you know, the auction rate market is largely paralyzed and there has been little, if any, funding of student loans through securitizations. In fact, no originator of private student loans has been able to access traditional securitization markets since September 2007."

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What can be done to remedy this situation for the long term? Two possible federal responses are on the horizon, while a third has recently become law:

- ▶ The federal government could lend money directly to student loan secondary markets.
- ▶ The Federal Reserve could add student loans to its term financing facility.
- ▶ The passage of HR 5715 establishes the U.S. Department of Education as the secondary market of last resort with loan servicing rights staying with the current servicer. This bill, which was passed by the House and Senate, was signed by President Bush on May 7, 2008.

These are all positive developments because they signal that Congress and President Bush are taking the crisis seriously; however, these temporary solutions do not address the root of the problem: the inability of providers to access the bond market. From my vantage point, I would prefer that the Federal Financing Bank buy student loan asset-backed securities or put in a standing bid. This action could be the impetus for restarting the student loan auction rate securities market, which is a key to a permanent solution to the current problem.

In Iowa, we have taken action to ensure that federally guaranteed student loans are available for students this fall, even as we discuss eventual federal financial market solutions. Early this year, Iowa Student Loan asked its Iowa banking and credit union partners to make Federal Family Education Loan Program (FFELP) loans and hold them on their balance sheets, utilizing Iowa Student Loan as servicer, until such time Iowa Student Loan can regain access to market capital. The response from Iowa banks and credit unions has been phenomenal. More than 100 lenders have stepped forward, pledging to fund the tens of thousands of loans Iowa students will need to help pay for college this fall, to work with Iowa Student Loan. Because of this action it appears there will be sufficient federal loan funding for Iowa students and parents this fall, unlike the potential situation in some other parts of the nation.

Supplemental private loans for those students needing additional funds present the next big challenge. Iowa Student Loan has had to temporarily suspend offering private student loans. Federal PLUS Loans are available to parents, but not all parents are willing to borrow. This situation means a significant number of students will not be able to stay in college without private student loans. The problem is that some private student loan providers are only offering loans with a qualified cosigner and some students cannot obtain a cosigner.

To meet this challenge head-on, Iowa Student Loan is setting up lenders to start their own private loan program on a turnkey servicing arrangement to provide students with access to loans from a local lender. Student loans are complex and

Iowa Student Loan has 13 years of experience making private loans to students. Iowa Student Loan has an online application, digital signature, automated underwriting, systems, accounting, and experienced customer service and default prevention representatives.

Another way that Iowa Student Loan is meeting the need for private loans is by asking lenders to become involved with a Participating Pool for Private Student Loans. In this arrangement, lenders are asked to participate in a pool of private student loans, up to an amount determined by the lender. These credit-ready private loans would be intended for use by students without other options to borrow.

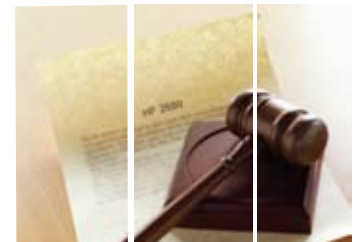
So the times are interesting indeed. It's times like this that can bring out the best in all of us. Market conditions have challenged us to find new and innovative ways to deliver on our mission of providing students with the needed funding for a postsecondary education. Thanks to creative teamwork by Iowa Student Loan and community-minded banks and credit unions throughout Iowa, we are finding solutions to our most pressing immediate needs. I am convinced that we will continue to find ways, working together with federal officials, to provide Iowans with the means to secure the education they need to compete on a global stage in the long run as well.

New State Legislation Regulating Student Lending is Approved

By Greg Nichols, Vice President of Public Affairs and Community Relations

On May 5, 2008, Governor Chet Culver signed HF 2690, a bill that will provide a new framework for specific student lending provisions, into Iowa law. The bill was earlier passed by a unanimous vote in the Iowa House and Iowa Senate. The final version of HF 2690 represented perhaps the 10th draft of legislation that has been diligently worked on by a group of key legislators and representatives of Iowa banks and credit unions, Iowa higher education institutions, Iowa Student Loan, the Iowa College Student Aid Commission (ICSAC) and the attorney general's office.

The consensus view is that this version of the bill represents the best and most workable of the various drafts considered. It recognizes the desire to enhance public confidence and consumer information and transparency on the one hand, while not creating unintended



consequences relative to securing needed funding for students in the current national financial market crisis. It is this balance that helped the bill ultimately pass on unanimous bipartisan votes in both houses. Among the key decisions the sponsors of the bill made were to mirror, wherever possible, definitions and processes which are anticipated to be required in the coming year at the federal level, in order to try to simplify rather than complicate compliance.

HF 2690, in part, is the realization of recommendations made by the state auditor in 2007 in terms of reports and audits that Iowa Student Loan supports. It also contains a number of best practice provisions for student lending. The new section on disclosure requirements, for instance, reflects a longstanding Iowa Student Loan policy to disclose the terms of private education loans to borrowers and the rates of interest charged. Passage of this bill will ensure that our policies in such areas are adhered to by all Iowa-regulated lenders.

Iowa Student Loan complies with all applicable laws and regulations governing student loans. We will continue to work with Iowa legislators and the attorney general's office to comply with all sections of this new bill as it becomes effective in the months ahead, and will continue to provide funding needed for loans for college students under the new law.

HF 2690 Summary

1. The bill requires all Iowa colleges, universities and postsecondary institutions to develop a Code of Conduct relating to educational loan practices by Jan. 31, 2009. Such codes must be consistent with definitions, prohibitions, disclosure requirements and preferred lender list standards spelled out in the new law as well as relevant federal requirements. The specifics of those requirements in HF 2690 largely mirror the provisions in HF 4137, now pending in a congressional conference committee, and ICSAC is to be consulted in the drafting of the institutional codes. In general, the subjects addressed in the bill related to institutional activities include the following:
 - a) Much of the language relates to prohibitions on gifts from lenders to educational institutions and their employees, and specific definitions of what is and is not a gift. For instance, reduced fees or rates for student borrowers at a school are not generally considered gifts, nor are most philanthropic gifts to the institution.
 - b) Specific requirements relating to determining preferred lender lists.
 - c) Prohibitions on some practices such as "bundling" private loans or certain "revenue sharing" arrangements.
 - d) A series of required disclosures to borrowers under certain circumstances.

2. The bill sets out a series of specific prohibitions, allowable activities and disclosure language required of lending institutions providing educational loans. Again, these generally mirror provisions in federal legislation, HR 4137. Most notably, the bill provides a series of specific disclosure items that must be provided to borrowers of private supplemental loans. The attorney general will be charged with construction of a model disclosure form, and these provisions will become effective Jan. 31, 2009.
3. The bill gives the attorney general authority to administer the requirements of the new law, and promulgate administrative rules to implement the provisions.
4. The bill sets out a series of penalties for violations of the provisions, and gives the attorney general authority to levy fines and control the fund to which they are to be deposited.
5. The bill puts a series of conditions on any qualified student loan bond issuer who issues tax-exempt bonds under the state allocation of same. Iowa Student Loan has historically been this "issuer."
 - a) An annual report must be provided by the issuer to the Iowa General Assembly describing their activities and how they benefit students and families.
 - b) The issuer must submit their annual audit to the state auditor for review.
 - c) The board of directors must hold deliberations related to tax-exempt bonds in open meetings.
 - d) The issuer must conduct a public hearing prior to issuance of tax-exempt bonds.
 - e) Minutes of meetings from items c) and d) above, information received or distributed at the hearing in item d), correspondence with the governor seeking issuance authority, and the published official statement relating to issuance of tax-exempt instruments are all to be considered open records.
 - f) The state superintendent of banking will perform an annual review of the issuer, and report the review to the legislature each January. The superintendent is prohibited from serving on the board of the issuer.
6. The bill requires the Iowa Finance Authority (IFA) to report to the Iowa General Assembly any time they reallocate federal tax-exempt bond authority from one designated use to another. The statutory allocation, for example, for student loan bonds is set at 16%, and IFA would have to report if they added to, or subtracted from, that annual allocation.
7. Finally, the bill directs the attorney general to report to a legislative government oversight committee in October 2008 any findings of the ongoing review of Iowa Student Loan operations.

School Relations Department Update New Communications, Program and Research Specialist



The Iowa Student Loan School Relations department happily announces the addition of Matt Brown to the team. Matt comes from the Community Services and Education Research department and retains his title of Communications, Program and Research Specialist. He previously focused on the Iowa Student Loan Nursing and Teacher Education Loan Forgiveness Programs and will continue to work on those projects, as well as various other duties.

Before joining Iowa Student Loan in 2006, Matt gained experience as a financial aid advisor at Iowa State University, an assistant director of financial aid at Grand View College and an associate director at the Iowa College Student Aid Commission. Matt's knowledge, experience and attitude make him a great addition to the department.

Matt is available to answer your questions on loan forgiveness programs and provide other School Relations services. Contact Matt at (800) 243-7552, ext. 7656, or by e-mail at mbrown@studentloan.org.

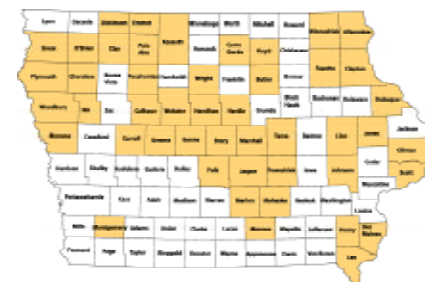
Update on Iowa Student Loan Nursing and Teacher Education Loan Forgiveness Program

Over the last several years, Iowa Student Loan has been delighted to see its Nursing and Teacher Education Loan Forgiveness Programs assist Iowa's future nurses and teachers on their path to these challenging and rewarding careers.

Nursing Education Loan Forgiveness Program

During the first four years of the Nursing Education Loan Forgiveness Program, nearly 800 nursing students were approved for loan forgiveness benefits. Iowa Student Loan continues to see a steady stream of program recipients complete 12 months of qualifying employment and claim their first year of loan forgiveness.

In April 2008, a milestone was reached as 104 registered nurses/nurse educators claimed loan forgiveness benefits. Over one-third of these borrowers have already received a second year of loan forgiveness. In total, more than \$330,000 in federal and private loans has been forgiven for registered nurses/nurse educators who have worked in 47 of Iowa's 99 counties (see map for details).



As these borrowers progress through their four years of required employment, Iowa Student Loan expects to forgive a total of more than \$1.2 million of their outstanding student loans. This is just the beginning of the eventual impact this program will have on the entire pool of approved applicants.

Teacher Education Loan Forgiveness Program

In just two years and with nearly 500 approved applicants, the Iowa Student Loan Teacher Education Loan Forgiveness Program is already having a big impact on Iowa borrowers who are filling some of the highest need teaching positions in our elementary and secondary school buildings.

More than \$60,000 in federal and private loans has been forgiven for teachers working in subject shortage areas like special education, mathematics and science in 28 of Iowa's 99 counties (see map for details).



Iowa Student Loan expects to forgive a total of more than \$500,000 of outstanding student loans as these borrowers progress through their five years of required teaching service. With increasing numbers of approved applicants entering the teaching field to serve Iowans in critical subject areas, this program will continue to positively impact our state as it lessens the debt burden faced by hundreds of deserving teachers.

Reaching Out to Iowa Students With the Financial Literacy Series

As the 2007-2008 academic year comes to an end, Iowa Student Loan is pleased to announce the results of its Financial Literacy Series for the year.

With Financial Literacy Officer Heather Norris leading the program, thousands of Iowa college students were reached through the informative presentations and brochures. Utilizing this series, schools can help their students successfully handle their finances so they can focus on their education.

The presentation and brochure series can be utilized by any campus organization, including career services, financial aid office, freshman orientation classes, business or financial management courses and campus residence halls.

Throughout the year, the Financial Literacy Series:

- ▶ Provided 176 presentations.
- ▶ Reached more than 4,200 students through presentations
- ▶ Distributed 30,304 brochures to schools and students.

At the beginning of 2008, Heather introduced the series of six contemporary, redesigned brochures and presentations to colleges and universities around the state. The new look is inviting to college audiences and includes updated facts and user tips so that the information is not just good reference material, but also practical, timely and relevant.

Financial Literacy Series Topics

- ▶ Money Matters
- ▶ Take Charge of Credit Cards
- ▶ Understand Credit Reports and Scores
- ▶ Life After College
- ▶ Prevent Identity Theft
- ▶ Borrow Wisely for College



The brochures are now posted on the Iowa Student Loan Web site for download as PDF files. You and your students can visit www.studentloan.org and find the Financial Literacy Series under the Quick Links menu.

As you look ahead to the next academic year, expect to hear more from Heather on new offerings. Consider ordering materials or scheduling a 2008-2009 presentation now. Contact Heather at (800) 243-7552, ext. 7671, or e-mail her at hnorris@studentloan.org.



Financial Literacy Month Success



Iowa Student Loan supported April as Financial Literacy Month across Iowa college campuses with a campaign aimed at asking students to think before charging items on their credit cards. Schools were sent an e-mail that contained a press release for their school newspaper offering advice on how to take charge of credit cards. The e-mail also provided schools the opportunity to order three different posters to display on campus.

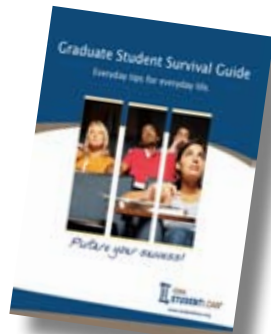
A nationally recognized designation, Governor Chet Culver also proclaimed April as Financial Literacy Month in Iowa this year.

"I'm very excited by the response we've received for the Financial Literacy Month campaign," Heather said. "It's important to realize that financial literacy awareness isn't just a subject that should receive attention in April. It's a topic that can be stressed throughout the year to students."

Created without dates or Financial Literacy Month references, the posters can benefit students any time during the year. Schools that found the message positive can still order and display the posters at any time.

To order posters for your campus, contact Heather Norris at (800) 243-7552, ext. 7671, or e-mail her at hnorris@studentloan.org.

New Financial Literacy Series Brochure for Graduate and Professional Degree Students



Iowa Student Loan is excited to announce a brand-new brochure in its Financial Literacy Series created especially for graduate and professional degree students. Recognizing that these students face a variety of issues more complex than in their undergraduate days, from balancing work and life to successfully handling their finances, Iowa Student Loan will soon be offering the Graduate Student Survival Guide – Everyday tips for everyday life.

The Graduate Student Survival Guide includes advice on a variety of financial literacy topics, as well as tips from those who have been there before.

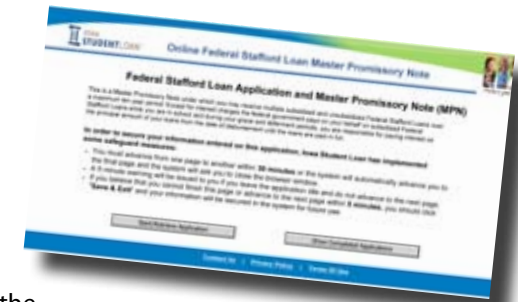
In this guide, students will find topics such as:

- ▶ Paying for their education.
- ▶ Making wise financial choices.
- ▶ Achieving balance in their lives.
- ▶ Planning for the future.

The new guides should be hot off the press in time for your students' summer events. To order copies of the Graduate Student Survival Guide for your office, contact Heather Norris at (800) 243-7552, ext. 7671, or by e-mail at hnorris@studentloan.org.



Online Stafford and PLUS MPN Now Available



This spring, Iowa Student Loan unveiled enhanced online Application and Master Promissory Notes (MPN) for both the Federal Stafford Loan and the Federal PLUS Loan (both for parents and graduate students). The online MPNs have been cosmetically refreshed and now feature improved functionality. These MPNs are now available to all students attending a Federal Family Education Loan Program (FFELP) school in Iowa and both can be accessed from www.studentloan.org.

Although Iowa Student Loan is accepting paper MPNs, we're encouraging borrowers to complete their MPN online as this will streamline the application process, reduce incomplete applications and expedite processing. Please note, however, that we will continue to process all paper applications as expeditiously as possible. Borrowers can choose to e-sign their MPN using their Federal Student Aid PIN or elect to wet sign the completed application if they prefer.

Schools no longer need to register to utilize the Iowa Student Loan online MPNs. School users also have the option with this online process to list specific lenders, although students will have the option to select any one of the Iowa Student Loan serviced lenders from our entire list. If a school chooses not to list specific Iowa Student Loan serviced lender(s) for their school on the MPN, borrowers can search for the lender of their choice by either lender name or city.

Borrowers can access the online applications at www.studentloan.org/downloads under Federal Loan Applications.

For schools that previously used the Guarantee Only process for the Stafford Loan MPN, the current URL addresses used will be redirected to the enhanced application for the 2008-2009 academic year, but will be phased out by 2009-2010.

Note: Please be certain that if you have saved the URL as a favorite on computers or list it on your Web site, it's displaying the proper page when selected. For Federal Stafford Loans, we recommend you now set the linked URL to www.studentloan.org/stafford.

User guides were previously sent to schools for the Stafford Loan MPN in March. If you didn't receive a guide, please contact your school marketing officer.