

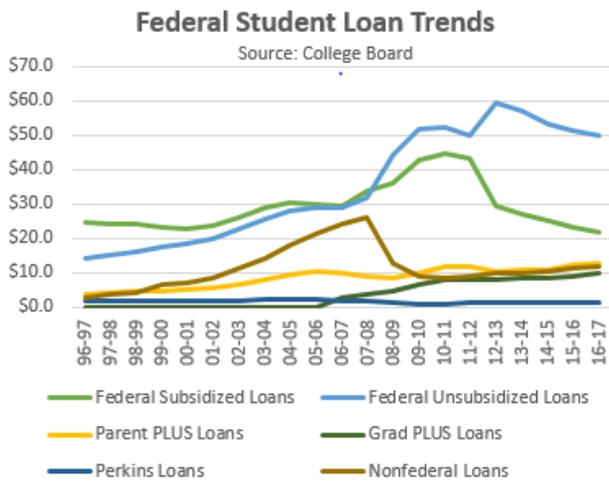
Examine Credit Unions' Student Loan Opportunity

Traditionally the benefits of federal student loans have far outweighed much of what private lenders could offer, but that's changing little by little.

Federal student loans are not as appealing as they once were. In 1996-97, 64% of Stafford Loans were subsidized, meaning the government paid the interest while students remained in school, [College Board](#) reported. This percentage declined to 51% in 2006-07 and again to 46% in 2011-12.

The federal government eliminated graduate students from the program in the 2012-13 school year, and subsequently subsidized loans fell to 33% of all Stafford Loans in 2012-13 and once again to 30% in 2016-17.

Source: College Board



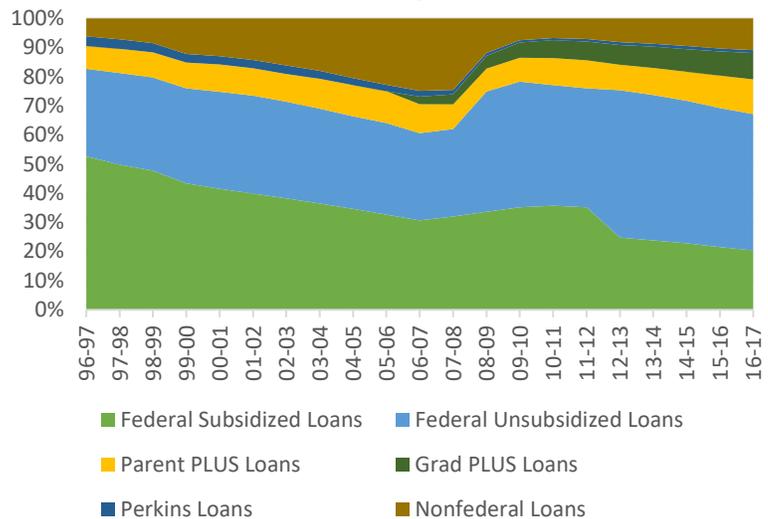
Register to attend our webcast, [Credit Unions Examine Student Loans, by clicking here.](#)

Private and state-funded student loans through credit unions and other lenders also declined during the Great Recession from about \$24 billion (in 2016 dollars) to \$9 billion between 2006-07 and 2009-10. The good news is that they have been on the rise since to the tune of \$12 billion by 2016-17, according to College Board.

Subsidized and unsubsidized Direct Loans or Perkins Loans have no credit requirements, College Board explained. Perkins Loans also have no credit requirements and are reserved for only those students with “exceptional financial need,” according to the [Federal Student Aid Office of the U.S. Department of Education](#).

As you can see in the chart above, they’ve all but dried up. On the other hand, the PLUS loan programs do require a credit check finding no “adverse credit history.”

All Sources of Student Loans
Source: College Board



CREDIT UNION STUDENT LOAN REFI OPPORTUNITY



With federal options for student loans decreasing and the benefits diminishing, the market is ripe for credit unions to take advantage. Credit unions can help finance the \$74 billion gap in funding each year for financing college educations, and they can attempt to refinance already existing loans, whether federal or from other financial institutions. [Ser Tech can help you do that! Click here for more information.](#)

Nearly 30 million student loan borrowers have almost \$500 billion in loans that credit unions may be able to refinance into a better payment. These efforts can give credit unions a foot in the door with younger consumers.

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Don't forget their parents! Parents borrowed more than \$81 billion to help pay for their children's education. Parent PLUS loans are unsubsidized, fixed-rate loans that often have flexible repayment options. Credit unions can study and potentially adapt some of these payment methods to compete. In addition, credit

unions can help out graduate students who are already in the workforce with their more than \$50 billion in student loan debt. And their federal loans are no longer subsidized.

These parents and professionals going back to school are typically in their prime earning years and can be a great asset to the credit union. Next week's blog will explore how to message to each segment of the target market for student loans.