

# Rhode Island Student Loan Authority

Structure & Services

May 29, 2020



**RISLA**  
RHODE ISLAND STUDENT  
LOAN AUTHORITY

# Governance

- Board of Directors
- The powers of the Authority are vested in its six-member board of directors. Five members are appointed by the Governor of the State from among members of the general public who are qualified by training or experience in education, finance or personal investment consulting, with the advice and consent of the State Senate. The Chairman is elected by the members from among their number.
- One member of the Board of Directors is the State General Treasurer, ex-officio.

# The Authority's Role in Higher Education

- RISLA's loan programs are used primarily by middle income families for students attending traditional four year institutions
- Refinancing of education loans
- RISLA uses the net revenues from its loan programs to fund the operation of:
  - The RISLA College Planning Center
  - Nursing Rewards - zero interest for up to four years for practicing nurses in RI
  - Financial Literacy Outreach
  - Scholarships to encourage financial literacy
  - Database of local scholarships with a mobile app
  - Employer Student Loan Repayment Assistance Program
  - Loan forgiveness for qualifying internships

# Counseling Students and Families to borrow only what they really need and can afford and helping graduates with smart strategies to manage their student loan debt.



## Education Loans

Your future is our future. As a non-profit, it's our goal to help you borrow responsibly and save on college costs.

- [Apply for a loan](#)
- [Refinance existing loans](#)
- [Get financially literate](#)
- [Learn about rewards programs](#)
- [Use tools & calculators](#)



## College Planning

An education is the most powerful tool you can own. Learn how to plan and pay for the education of your dreams.

- [Book a free appointment](#)
- [Learn about financial aid](#)
- [Search for scholarships](#)
- [Get a free college planning guide](#)
- [Read the blog](#)



## Employer Repayment Assistance

Employer repayment assistance of student loans is a great way to attract and retain top talent at your company! More information to come on this employee benefit trend.

- [Request a Demo](#)
- [In the News](#)
- [Frequently Asked Questions](#)

# RISLA, With You for the Journey Planning, Preparing, and Paying for College

RISLA cares about the success of students and families. In fact, we believe that the future depends on the success of today's and tomorrow's students. To help Rhode Island residents cover tuition, reduce the need for college borrowing, and increase their knowledge of financial topics related to student lending, *RISLA's Knowledge for College Scholarship* provides a chance for entrants to win scholarship funds while in their senior year of high school or any year of college.



## RISLA's College Planning Center

If you would like additional information or assistance, please [book an appointment](#) to meet with one of our college planning experts. We are here to help!

Book Free Appointment Now



## RIScholarships

Local scholarships are a great way to help pay for book and living expenses while reducing the amount you need to borrow. Get started searching at [RIScholarships.org](https://rischolarships.org).

Start Searching

# RISLA Originates & Services All Non-Federal Loans In House

- RISLA originates all of its non-federal loans using its own proprietary software and operates its own call center and servicing operation utilizing software provided by University Accounting Service, LLC (“UAS”).
- University Accounting Service was founded in 1969 and currently services student loan portfolios directly for colleges and universities as well as private student lenders. Today, UAS services roughly 750,000 active accounts for over 500 clients nationwide. UAS is a subsidiary of Transworld Systems, Inc., an industry leading provider of accounts receivable management services with approximately 5,000 employees worldwide. Services provided by UAS are delivered from the centralized UAS operating facility in Brookfield, Wisconsin.

# RISLA Fixed Rate Loan Program Overview

- The RISLA programs include the RISLA Fixed Rate Loan (a low cost non-federal student loan program), the RISLA Parent Loan, and the RISLA Refinance Loan.
- RISLA Fixed Rate Loans must be certified by the participating Higher Education Institution as a qualifying Education Loan under the Authority's program requirements
- The interest rate on all RISLA loans are fixed for the life of the loan
- Loans have a maximum repayment term of 15 years
- Loans are serviced by the Rhode Island Student Loan Authority
- RISLA Fixed Rate Loan rates are substantially less expensive than private loans from banks and groups like Sallie Mae and even the federal PLUS (parent) loan

# Traditionally one of the lowest cost loans in the country.

**3.99%** APR<sup>1</sup>  
10-year repayment while in school

Fixed Rates

**5.24%**  
15-year repayment begins after leaving school, 5.08% APR<sup>1,2</sup>



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## LOW COST STUDENT LOANS

**RISLA.COM**

Trusted, not for profit, student loan lender since 1981.

- ✓ Multi-Year Loans
- ✓ Low Fixed Rates
- ✓ No Upfront Fees
- ✓ Borrower Protections
- ✓ Highly Rated Service

Rated 4.8 out of 5 Stars on ★ Trustpilot

1. APR: The Annual Percentage Rate (APR) reflects the total cost of the loan, including upfront fees (if any), accruing interest, and the effect of capitalized interest. Interest begins accruing after each loan disbursement. Minimum monthly payment is \$50.00. Includes 25% discount for using ACH auto-pay feature.

2. Assumptions for Example: Equal disbursements of \$1000 in September and January. Fifty-four (54) months pay (48 months in-school and 6 months grace) at which time accrued interest is capitalized and a 150-month repayment term begins. Interest accrues during deferment period and is capitalized (added to principal balance) at time loan enters repayment.



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# RISLA-Less Expensive Than Federal PLUS Loan

Rhode Island Student Loan Authority		
For 2020/21 Academic Year		
Loan Options - 10 Year Term - Immediate Repayment		
Estimated Fees, Payment Amounts, and Interest Expenses per \$20,000 borrowed		
	Federal Parent PLUS Loan	RISLA Fixed Rate Loan Program
Loan amount	\$20,885	\$20,000
Origination fee % (until 10/1/20)	4.236%	0%
Origination fee	\$884.67	\$0.00
Proceeds received by School	\$20,000	\$20,000
Repayment term (years)	10	10
Interest rate (before ACH discount)	5.30%	4.24%
Est. monthly payment	\$224.59	\$204.78
Est. total interest charges	\$6,066	\$4,574
<b>SAVINGS OVER LIFE OF LOAN FROM 1 YEAR OF BORROWING</b>		
Upfront savings from 0% fee		\$884.67
Interest savings		<u>\$1,492.54</u>
Total savings from 1 year of borrowing		\$2,377.22
A .25% interest rate reduction, available to borrowers of both loan programs, is not factored into the above calculations		
	RISLA savings as a % of the amount borrowed	11.89%



# RISLA Refinance Loan Program Overview

- Only three (3) refinancing loans have ever defaulted
- Loans are originated and serviced in-house by RISLA
- RISLA Refinance Loans are fixed rate and have a repayment term of 5, 10 or 15 years
- Forbearances (no payments) for up to 12 months
- Income Based Repayment Plans (IBR) is available for borrowers who encounter medical or financial difficulties.
- RISLA does not charge an origination fee
- Have made approx. \$200 million in refinancing loans since inception in 2016

# Loans Funded Through Securitizations

RISLA bonds are not state obligations

**EXPECTED RATINGS:**

**Fitch: AAsf**

**S&P: AA(sf)**

**See “RATINGS” herein)**

## **New Issue – Book Entry Only**

*In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority described herein, interest on the 2020A Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Nixon Peabody LLP, Bond Counsel, is also of the opinion that such interest is treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the 2020B Taxable Bonds is not excluded from gross income for Federal income tax purposes under the Code. Bond Counsel is further of the opinion that, except for estate, inheritance, and gift taxes, the 2020 Bonds and the income therefrom, including gain from sale or exchange thereof, are exempt from taxation by the State of Rhode Island and Providence Plantations (the “State”) and by the municipalities and all political subdivisions of the State, although the 2020 Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of certain State corporate and business taxes. See “TAX MATTERS” herein regarding certain other tax considerations.*



**\$100,575,000**

**RHODE ISLAND STUDENT LOAN AUTHORITY**

**Student Loan Program Revenue Bonds**

**Consisting of**

**\$57,300,000**

**2020 Senior Series A (AMT)**

**\$43,275,000**

**2020 Senior Series B (Federally Taxable)**



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# Rating Agencies & Financing Restrictions

- Required Overcollateralization – in order for a bond to be rated for public sale the rating agencies will run cash flows that simulate a very high default scenario. In order to pass these “stress tests” the bond trust must start with more assets (equity) than the amount of bonds issued.
- Subordinate bonds – can be issued which may reduce the level of the initial equity infusion to obtain an investment grade rating, however subordinate bonds carry a higher interest rate which increases borrowing costs.
- Loans must be responsibly underwritten with at least one employed borrower who has a good credit history (typically a minimum FICO score). Students generally do not qualify on their own, they need a parent or sponsor to co-sign.
- If a program does not have a good historical track record the rating agencies will require the bond issue to pass more stringent stress cases.

# Underwriting Standards for the RISLA Fixed Rate and Refinance Programs

- Minimum income requirement
- Satisfactory credit score and credit history required
- Debt service-to-income ratio test
- Other proprietary evaluation methodologies that from experience the Authority deems are good predictors of loan performance

# Extremely Low Cumulative Default Rate of 1.74%

## Fixed Rate In-School Loan Origination & Default History as of 12/31/2019

Origination Year	Amount Disbursed	Original Disb \$ in Repayment	Net Default Rate
2019/2020	39,107,404.10	2,256,648.00	0.00%
2018/2019	62,619,653.50	26,142,429.20	0.00%
2017/2018	55,333,886.00	27,204,674.39	0.00%
2016/2017	51,322,918.40	31,890,764.40	0.01%
2015/2016	45,215,889.63	36,434,718.63	0.19%
2014/2015	38,292,278.44	35,073,043.84	0.30%
2013/2014	31,602,635.52	30,405,560.82	0.66%
2012/2013	26,831,639.12	26,232,511.78	0.84%
2011/2012	23,085,372.05	22,924,447.05	1.64%
2010/2011	21,382,871.06	21,278,053.39	2.01%
2009/2010	24,339,069.99	24,270,445.99	2.89%
2008/2009	51,525,647.78	51,361,228.78	3.37%
2007/2008	70,295,743.57	70,177,813.90	4.12%
2006/2007	46,354,787	46,350,637	3.99%
2005/2006	11,793,622	11,793,622	2.78%
2004/2005	778,260	778,260	2.68%
2003/2004	687,424	687,424	0.05%
2002/2003	1,977,001	1,977,001	-0.04%
2001/2002	3,860,014	3,860,014	-0.24%
2000/2001	5,656,849	5,656,849	-0.15%
1999/2000	5,634,376	5,634,376	0.04%
1998/1999	4,685,942	4,685,942	0.81%
1997/1998	4,717,325	4,717,325	0.56%
1996/1997	5,450,684	5,450,684	0.16%
1995/1996	4,119,216	4,119,216	0.35%
1994/1995	4,750,930	4,750,930	-0.01%
1993/1994	4,321,327	4,321,327	-1.01%
1992/1993	3,007,791	3,007,791	-0.49%
	<b>\$648,750,557</b>	<b>\$513,443,739</b>	<b>1.74%</b>

# RISLA's College Planning Centers offer Free Assistance for FAFSA Completion

- College Planning Center was established 20 years ago
- This past year RISLA's College Planning Center helped over 4,200 students and families complete the FAFSA.
- Open nights and weekends during the busiest financial aid periods –  
October 1 through January
- Special emphasis on inner city and first generation students
- Multiple contact points
  - High schools presentations – may be Zoom based this year
  - Texting "FAFSA" to 24000 will bring up the option of a Spanish language video explaining the FAFSA and to book a telephone counseling session
  - Use social media, radio, billboards etc. to promote FAFSA completion

# Incentives for Students to Learn About Financial Literacy



Take Our Financial Literacy Quiz and Enter to Win \$2,000 for College!

Enter to Win!



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# Employer Student Loan Assistance Payments Now Tax Free

Section 2206 of the CARES Act allows an employer to contribute up to \$5,250 per employee toward an employee's student loans and it is now **not taxable income to the employee!** The employer must make these student loan payments between now and the end of this year, after which the favorable tax treatment expires (hopefully this will be extended). Under IRS Code Section 127 the \$5,250 is an aggregate per employee limit including an employer's contribution for tuition and books; however it now also allows employers to help with student loans.

Employers are typically allowed to deduct these payments as an expense, but companies should consult their tax advisor.





# Employer Student Loan Repayment Assistance

Helping to address the student loan crisis and an affordable benefit to attract and retain the best and brightest



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# For Employees – Complete Higher Education Services

## Employer Student Loan Repayment

Student loan repayment assistance programs allow employers to help their employees pay off their loans faster. Employer student loan repayment is one of the fastest growing benefit additions among those organizations trying to overcome the dilemma of workforce talent shortages. This program also has the potential to make a big impact on the workplace satisfaction and overall wellness of your valuable employees.



### College Planning

Providing assistance to students and families for planning, preparing, and paying for college.

## CollegeBound|Saver

### 529 Savings Plan

CollegeBound Saver with its flexible investment options and no minimum contribution, is an easy, affordable way to save for higher education.



### Financial Wellness

We provide education on topics such as credit, budgeting, student loan repayment, and money management in a group or one-on-one settings.



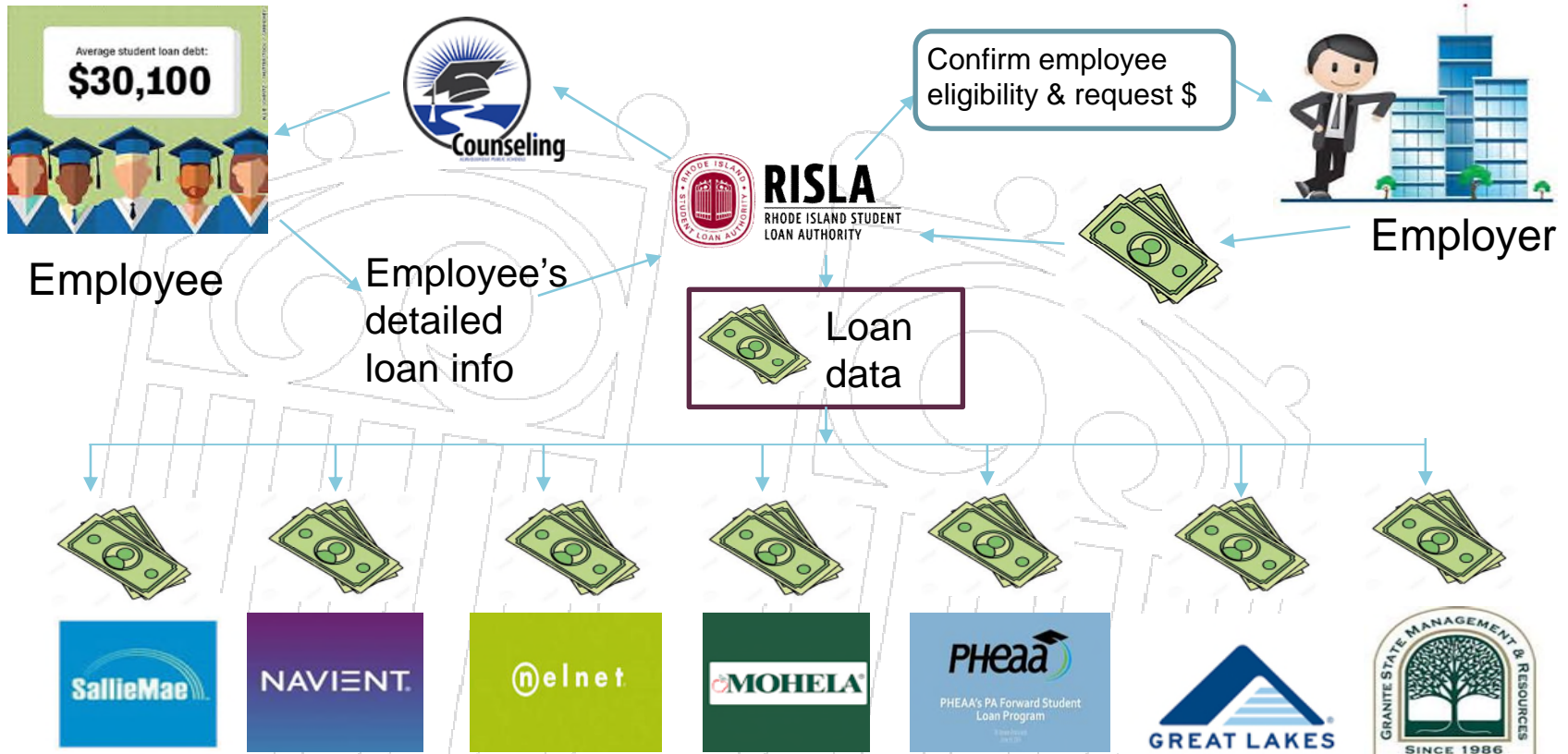
### Refinancing

Refinancing can save borrowers money by reducing their current interest rate, shorten their repayment term, and may also reduce their monthly payments.



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# How Employer Student Loan Repayment Works



Many servicers handle Federal Direct, Guaranteed and Private Loans which all have different processes.

# Challenges and Missed Opportunities

- RISLA established an online internship matching service, called Bridge, several years ago when most schools were still using bulletin boards and hand written index cards to post internships. It was very successful for many years, but RISLA did not expand it to be a more robust service and colleges have purchased a commercial product rendering Bridge obsolete. RISLA could have tried to expand this product, but with a limited number of schools in RI there was not sufficient scale to justify the resources to build it.
- Credit based pricing – For profit lenders use credit based pricing to try and advertise a “as low as rate” that looks competitive to RISLA where everyone that qualifies gets the same rate. However most private loan borrowers only qualify for a much higher rate because they do not have an extremely high credit score or a high enough income.



# Questions / Contact Information

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