

July 2005

Understanding Alternative Loans

By Martha Johnston

At this time of year, many students are seeking alternative financing methods to cover the cost remaining due on their tuition bill. As we've previously reported, students should continue to borrow the maximum limit for federal loans first. But the reality is that many students depend on an alternative loan to remain in school. The trend many Financial Aid Offices are seeing is that parents do not want their child's student loan debt in their name. They are happy to cosign an alternative student loan, but many parents do not want the debt burden to reside solely with them.

Many Financial Aid Administrators cannot predict who will be approved for an alternative loan or how the approval process works. Because of this, they feel uncomfortable recommending such programs to their students. Approval for alternative loans is based on private credit approval, usually a combination of credit score and debt-to-income ratios.

Most Credit Bureaus use FICO scores, a mathematical equation created by Fair, Issac and Company, which evaluates factors such as:

- **Payment history**
- **Amount you owe**
- **Length of your credit history**
- **Pursuit of new credit (inquiries)**
- **Type of credit you use**

The higher one's FICO score, the lower the credit risk and vice versa. FICO scores range from 850 (high end) to 500 (low end). Below 500 does exist, however, consumers with scores at the lowest ends of the range would have much work ahead of them to overcome such poor credit. Usually up to four Reason Codes accompany a FICO score detailing why the score wasn't higher. Following are the Top Ten Reason Codes.

FICO: Top Ten Reason Codes

- 1 **Serious delinquency**
- 2 **Serious delinquency, and public record or collection filed**
- 3 **Derogatory public record or collection filed**
- 4 **Time since delinquency is too recent or unknown**
- 5 **Length of time accounts have been established**
- 6 **Level of delinquency on accounts**
- 7 **Number of accounts with delinquency**
- 8 **Amount owed on accounts**
- 9 **Proportion of balances to credit limits on revolving accounts is too high**
- 10 **Too many accounts with balances**

Generally, approval for an alternative loan is assessed using the following factors:

- FICO score (Lender/Loan Program determines threshold cutoff on score, if any)
- Current income requirement (if no cosigner)
- Debt to income
- Employment history
- Lender's level of risk tolerance

Determining how one is approved for an alternative loan is only one piece of the process. With so many alternative loan options, many changing annually, it is challenging for a busy Financial Aid Office to know about ALL of them. The first comparison you should make is the Annual Percentage Rate (APR), created to help consumers assess products on a level playing field. The APR combines all costs of borrowing, the interest rate (more on that later), fees, borrower benefits, interest capitalization, repayment term and loan amount, into one measurable statistic reflecting the

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News Bytes

NEW INTEREST RATES!

2005-2006 STUDENT LOAN INTEREST RATES

Effective July 1, 2005 to June 30, 2006

Federal Stafford Loan:

4.70% (In-school/Grace Period)

5.30% (Repayment Period)

Federal PLUS Loan: 6.10%

Remember your families can save with our **Affordable PLUS Loans** with rates as low as 4.85%.*

*The variable interest rate will never exceed 9%. The interest rate of 4.85% reflects Citizen's Bank's 1% discount at full disbursement and 0.25% discount for automatic payment deduction from any bank account.

HEAD OF CONSUMER FINANCE RECEIVES AWARD

Chris Downs, head of Consumer Finance, of which Education Finance is a part, was awarded the 2005 Rhode Island Small Business Association District Director Award last May at the annual SBA Awards and Recognition Dinner. This award was given to Chris to recognize his demonstrated advocacy and commitment to providing capital access to the small business community.

ELM RESOURCES MCFARLANE ELECTED VICE CHAIR

Michael McFarlane, Director of Education Finance, was elected Vice Chair of the ELM Board of Directors at the annual ELM Resources Conference in April.

CITIZENS BANK SPONSORS YOUTH LEADERSHIP SEMINAR

Citizens Bank's sponsorship of the annual Western Pennsylvania Youth Leadership Seminar, May 13 - 15 at

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California University of PA, was a big success. **Ralph Papa**, President of Citizens Bank of Western PA, delivered the keynote address. **Ben Brudnock**, Account Executive, gave a Budgeting and Credit Awareness presentation. In attendance were over 150 high school sophomores who hold leadership positions at their schools.

CONSOLIDATION TRAINING

Citizens Bank attended Sallie Mae's informative Loan Consolidation Training at Walden University in April. Sallie Mae conducted a similar training for students at Smith College. **Martha Johnston**, Account Executive, presented a session on Loan Consolidation at Smith and Babson. For more information on Loan Consolidation, please call **800-708-6684**.

WVASFAA UPDATE

Citizens Bank, AES-PHEAA and PNC Bank hosted a dinner at Gratz's Restaurante in Charleston, WV, during the WVASFAA Spring Conference. Approximately 28 guests from various schools attended.

ASA DIRECT

ASA has been holding training sessions for schools on the ASA Direct updates. **Jennifer Miller**, Account Executive, attended an informative session at Tufts School of Veterinary Medicine. **Mike Mullaney**, Director of Web Development for ASA, conducted the session.

RI INFORMATION SESSION

Citizens Bank hosted an Information Session for our RI colleges that included updates from RIHEAA and Sallie Mae. Schools from across the state were represented.

GOT FINANCIAL AID?

Martha Johnston, Account Executive, recently participated in a panel discussion at Emmanuel College (Boston, MA) entitled "How to Pay for College". Panel members included UMASS Boston, MEFA, and Somerville High School's Guidance Office. Massachusetts Congressman Mike Capuano sponsored the event.

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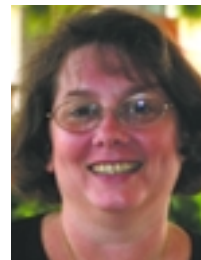
Financial Aid and Student Accounts: A Collaborative Effort

By Carole Jones

Several issues ago, we profiled Lasell College, highlighting the great relationship Director of Financial Aid **Michele Kosboth** has with her Bursar, **Kristen Poletta**. As we sought a school in Georgia to profile, we realized that Georgia Southwestern University (GSW) had a similarly compelling story to tell. GSW's Financial Aid Director, **Freida Jones**, works very closely with the Director of Student Accounts, **Donja Tripp**. Therefore, we felt it was time to highlight again for our readers how coordinating efforts with other offices on campus can yield tremendous results. This is their story:



Freida Jones



Donja Tripp

Located in rural Americus, Georgia, GSW sits 12 miles from Plains, GA, home of former President and 2002 Nobel Peace Prize Winner Jimmy Carter. Both President Carter and his wife Rosalynn attended GSW, which has a student population of about 2,094 undergraduates and 316 graduate students. Freida, current President of GASFAA, has been with GSW for about 18 years, and Donja, current Membership Chair of GASFAA, about 26 years. Freida indicates, "The Accounting Office and the Financial Aid Office do not follow the conventional student services model, so we do not ultimately report to the same person. Because of that, it becomes even more important for the two offices to work together and communicate."

Donja makes it a priority to understand what the Financial Aid program is all about. She is one of the few Directors of Student Accounts that has been consistent in attending and participating in GASFAA. Adds Freida, "Donja really knows and understands what is going on in Financial Aid. She attends all Federal updates ensuring she has the information needed to effectively do her job." This understanding enables Donja to fully appreciate what Financial Aid does, so she can see how Student Accounts fits in to the awarding of Financial Aid.

Though they do not fit the student services model, GSW does follow the federal law of separation of duties, whereby no single office or individual can both authorize and disburse

federal student financial aid funds. Therefore, Donja's department is very involved in administering Financial Aid. Freida's department awards the money and Donja's department disburses it. The coordination between the departments enables the refund process to also run smoothly.

Other schools can certainly follow suit. While we are all aware that the fiscal operations can vary from school to school, and the variation depends on the size of the school, administrative structure, Title IV programs offered, availability of staff and the school's automation, it doesn't prevent offices from cooperating with each

other. Donja encourages other schools to have the same outlook. "At the end of the day, supporting each other just makes so much sense. It enables both departments to have a better result, but personally, it is very satisfying to have a collaborative effort."

Freida and Donja definitely feel that the relationship their offices have is one of the best in the state of Georgia. Together, they recommend the following tips for other offices:

Understand Each Other's Role - the various offices involved in the financial aid process need to understand each other's roles and responsibilities.

Communication - is key. You *must* talk to one another.

Cooperation/Coordination - work together and understand why this is important. With automated systems, it has become increasingly important that each office understands its responsibilities in this process.

Dedication - to duty. Take responsibility for what you do.

Donja may have a leg up on other Accounting Offices, as she is married to Ray Tripp, a former Financial Aid Director at the University of Georgia, who currently works for the Georgia Student Finance Commission.

If you have questions about how you can work more closely with your Accounting Office, please do not hesitate to ask your Account Executive. 📧

Amy Raaf Addresses Advisory Board

By Heather Sutcliffe

This past April, **Amy Raaf**, Congressional Aide to **John Boehner**, Chairman of the House Committee on Education and Workforce Development, addressed our Education Finance Advisory Board. Amy informed the group that the Committee is looking to finalize Reauthorization of the Higher Education Act and accompanying budget bills this year. They will hold a number of hearings between now and September to make this happen.

Among the insight Amy shared is:

- The Committee supports maintaining variable FFEL rates.
- The Committee is dedicated to increasing FFEL loan limits and reducing origination fees to the extent possible given the current budget environment.
- Reauthorization of the Perkins Loan is included in the Committee's reauthorization bill, H.R. 609.
- Elimination of the 50% rule, as it relates to distance education, is supported by the Committee.
- H.R. 609 includes a revision of the Pell Grant program whereby low income, high achieving students would receive an additional \$1,000 in Pell Grant funds.

- Allowing re-consolidation isn't likely, and the Committee does not support this. With regard to federal loan consolidation, the Committee supports moving to a variable rate on Consolidation loans, but there is still some argument brewing for choice among other Members of Congress.
- The House would love to see schools take ownership of the increasing student loan debt, whereby schools could work to reduce costs and not raise tuition.

Overall, Amy would like to hear from anyone who has ideas, suggestions, and concerns about reauthorization. She urged that the best thing for schools to do is to speak up to the appropriators and representatives in their area to tell their stories. Please feel free to ask your Account Executive for assistance in telling your stories. Together, we do have a voice in shaping Higher Education policy for future generations. Amy's contact information is below.

Amy Raaf, U.S. House of Representatives
Committee on Education & the Workforce
amy.raaf@mail.house.gov,
202-225-6558 📞

RECOGNIZING LINDA

Citizens Bank hosted a dinner to honor **Linda Rankey-Froggett** and wish her well in her retirement. Several industry colleagues and friends were present to thank Linda for her hard work and dedication to the education finance industry.

JAZZ UNDER THE STARS

Carole Jones, Account Executive, and **Jim Settles**, Southeast Sales Manager, attended the Clark Atlanta University annual fundraiser, "Jazz Under the Stars." Citizens Bank co-sponsored the event with Sallie Mae, Bank of America and AmSouth.

EVALUATING COMMUNICATION FLOW

Heather Sutcliffe, Marketing Manager, presented a session entitled "Evaluating Communication Flow" at May's EASFAA Conference that included tips on how to ensure your Financial Aid Office's communication materials are clear, concise, consistent and compelling.

BILL IRWIN RECEIVES EASFAA'S HIGHEST AWARD

Bill Irwin, former Director of Financial Aid at Lock Haven University in Lock Haven, PA, was awarded EASFAA's highest award, the Honorary Life Membership. The award was presented at the EASFAA Conference in May in Atlantic City, NJ. Bill's numerous accomplishments include serving as PASFAA and EASFAA President and Conference Chair. Join us in congratulating Bill!

CREDIT AWARENESS

Sharon Murray, Mid-Atlantic Sales Manager, presented a session on Credit Awareness at PASFAA's Spring Training on behalf of PELA. The session was well attended and good feedback was received. Of particular note is the Fair and Accurate Credit Transactions Act that will allow all consumers to receive a free credit report from the Big 3 in 2005. For more information or a copy of the presentation please call **800-708-6684**. 📞

Citizens Supports ProLiteracy America

By Patti Cloutier, Consumer Finance

Last March, Citizens colleagues from Consumer Finance including **Evan Kantor**, **Denise Whittaker** and **Patti Cloutier** represented the bank in the Literacy Volunteers of Rhode Island Annual Fundraising Spelling Bee. The Education Finance Department is part of the Consumer Finance Division of Citizens Financial Group.

The bee was held at Toll Gate High School in Warwick, RI. Teams from 11 business sponsors from the local area participated, each taking a turn spelling a word taken from the Scripps

National Spelling Bee. The event was hosted by Channel 12 Meteorologist Tony Petrarca.

The Citizens Team made it to the fourth round where we were stumped on the word, "schipperke".



Literacy Volunteers of Rhode Island is an affiliate of

ProLiteracy America, a national organization founded on the premise that well-trained volunteers, working individually with adult students, can help them to read, write and speak English. Tutoring is free and confidential and based on the goals of each individual student. 📞

Upcoming Appearances

Event & Location	Date	Event & Location	Date
NASFAA , New York City	7/3/05	MASFAA (ME) , Rockport, ME	10/17/05
GASFAA Fall , Young Harris, GA	10/12/05	NYSFAAA , Hauppauge, NY	10/18/05
PASFAA , Lancaster, PA	10/16/05	NHASFAA , Meredith, NH	10/20/05
MASFAA (Midwest) , Charleston, WV	10/16/05	FASFAA Fall , Orlando, FL	10/25/05

Our Champions In Action™!

By Kristen Bourque

At Citizens Bank, we're not just a community bank, we're part of the community. We're deeply committed to addressing the needs of our neighbors, and that's why we've developed the Champions In Action™ Program. This program is designed to recognize and support non-profit organizations for their contributions to the community. A new champion is selected each quarter from a wide range of social service areas.

Massachusetts

Generations, Incorporated, serving the Boston area. Created in 1991, Generations strives to improve the literacy of Boston's school children by partnering them with senior citizens who serve as both tutors and mentors. The results of the program have been dramatic and it now serves as a nationally recognized model.

Connecticut

AMISTAD America, Inc., serving the Connecticut area. Founded in 1996, AMISTAD is a non-profit education organization that works to help young people better understand diversity and race relations through a variety of innovative and thought provoking programs.

For more information on any of our Champions In Action, please visit our website at www.citizensbank.com/community/champion/index.asp 📄

New Hampshire

Friends of the Arts Regional Arts Council, serving the central New Hampshire area. Founded in 1973, Friends of the Arts exposes people living in low-income and rural areas to artistic and cultural workshops and events.

Rhode Island

The Norman Bird Sanctuary, serving Rhode Island. NBS was established in 1949 to preserve and protect the birds on 235 acres of land. The wildlife refuge has now expanded to over 300 acres and also protects native plants and animal habitats. The sanctuary is open to the public and provides environmental educational programs.

Pennsylvania

Beginning With Books, serving the Pittsburgh area. Beginning With Books' mission is to make a difference in children's lives by promoting the value of early literacy, especially for children from low-income families. Their programs help children become successful learners and lifelong readers so that they can thrive as students.

CONNECTICUT

Paul Marchelli, former Director at Housatonic Community College, has retired. We wish Paul the best of luck!

DISTRICT OF COLUMBIA

Charlene Casey, formerly Assistant Director of Financial Aid at American University, is the new DFA at Wesley Theological College.

MASSACHUSETTS

Jenny Aguiar, formerly the Assistant Director of Financial Aid at Lesley University, is the new DFA at Dean College.

Traci Hickey, Assistant Director of Financial Aid at Framingham State College, recently had a baby boy named Graham. Congratulations Traci!

Susan Lanzillo, Director of Financial Aid at Framingham State College, is the proud new mom of a baby girl named Katie. Congratulations Sue!

NEW HAMPSHIRE

Ken Ferreira, former Director of Financial Aid at the New England Conservatory of Music, is the new DFA at Franklin Pierce College.

NEW JERSEY

Pam Bauer Rikstad, formerly with Citibank, has returned to financial aid at Rider College.

NEW YORK

Steve Dwire has been appointed Director of Financial Aid at the College of St. Rose.

Kelley Robinson, Market Development Representative for TERI - NY/VT, has been promoted to the Manager of the East. Kelley's new duties will be to supervise the sales team on the East Coast and for now, continue to work NY and VT.

Rebecca Swart-Cozocrea, Director of Financial Aid at Fulton-Montgomery Community College, recently gave birth to a baby boy, Connor David. Congratulations Rebecca!

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LEGENDARY SERVICE

Alternative Loan Options

By Tia Doane

We recently received a phone call from a customer in the Chicago area seeking information on private loans. In talking with this person, we learned that she had a past due balance at her school. Concerned about how to handle this, our Education Finance Specialist told her about our alternative loan options, including the Citizens Bank Undergraduate Loan. She was pleased this option existed, and we were able to help her complete an application for this product.

Remember, if you have students with a past due balance, they can utilize our alternative loans to make payment to their school. Please ask your Account Executive for details. Often times, this is the difference between a student being able to continue with their studies or receive their degree. 📄

Understanding Alternative Loans *continued from page 1*

real cost of borrowing. The APR Example demonstrates how looking at interest rate alone is not a true assessment of the cost to the borrower. For example, you may think Product C is the best option because it charges no fees, however, it ends up costing more than Product A.

What about the Interest Rate?

A fixed interest rate allows for easy APR calculation, while an APR calculation on a variable interest rate takes into consideration the Index, (T-Bill, *The Wall Street Journal* Prime or LIBOR)

and the spread, the percentage a lender/loan program adds to the Index to create the rate. If variable, one should look at how often the rate changes (monthly or quarterly), whether it offers a cap or ceiling, and how frequently the loan program capitalizes (adds accrued interest to the principal balance), usually monthly or once at repayment. Historically, the Indexes have moved proportionately to each other over time and have remained competitive with each other. The higher the Index, the lower the spread, and vice versa.

The bottom line is students are going to find (and need) alternative loan programs, and Financial Aid Offices should be prepared to help them find the lowest cost option available. With so much information available, they may become frustrated and take the easy option without delving further. The most important thing is to educate them on how to ask for an APR so they are comparing apples to apples. Finally, schools should feel free to ask their lender representatives for alternative loan comparison charts so they are prepared to offer assistance to their students.

Beyond APR, Financial Aid Offices and students should consider the following when choosing or recommending an alternative loan program:

Financial Aid Offices

- Online pre-approval
- Online application with e-signature
- Online certification
- Certification through your FAMS
- Quick turn-around time from application to funding loan
- EFT of loan proceeds
- Co-payable proceeds
- Overall approval rate in that program
- If tiered program, percentage of students falling into the various tiers

Students

- Aggregate debt limit, including all prior educational debt
- Lowest monthly payment
- Lowest APR
- Lowest total payback (principal and interest)
- Lowest origination fee
- Specialized deferment options
- Lowest fees at repayment
- Combined billing option with FFELP
- Repayment options
- Cosigner requirements and release options
- On-time repayment incentives
- Other borrower benefits 🏠

APR Example			
Features	Product A	Product B	Product C
Loan Amount	\$5,000	\$5,000	\$5,000
Interest Rate Base	Prime	LIBOR	T-Bill
Current Rate	6.00%	3.21%	2.91%
Spread	- 0.50%	+2.70%	+3.70%
Resulting Base	5.50%	5.91%	6.61%
Fee (added to Principal)	4%	4%	0%
Grace Period	None	6 months	6 months
Repayment Term	10 years	10 years	10 years
Interest-Only Payments	\$22.92	\$24.63	\$27.54
Payments	\$56.52	\$57.59	\$57.05
Total Finance Cost	\$1,783	\$1,911	\$1,847
Total Paid	\$6,783	\$6,911	\$6,847
APR	6.40%	6.81%	6.61%

PENNSYLVANIA

Rich Esposito has been named Director of Financial Aid at Duquesne University.

John Falleroni has been promoted to Associate Director of Financial Aid at Duquesne University.

Bill Irwin, former Director of Financial Aid at Lock Haven University, has retired. We wish Bill the best of luck!

Meme Jeffries, Assistant Manager of Student Loans at University of Pittsburgh and State Related PASFAA Sector representative, recently gave birth to a baby boy, Daniel Ryan Jeffries. Congratulations Meme!

Sheri Mikols has joined the Financial Aid office at California University of Pennsylvania.

Lora Myers has returned to the position of Director of Financial Aid at Alvernia College.

Craig Shaffer, former Financial Aid Counselor at Thompson Institute, is the new Financial Aid Representative at Computer Learning Network.

Jim Treiber, former Director of Financial Aid at Gannon University, has retired. We wish Jim the best of luck! **Sharon Krahe** has been promoted to replace Jim as the new DFA.

Karel Valken, formerly at Eastern College, is the new Director of Financial Aid at Ai Bradley.

RHODE ISLAND

Michael Poindexter is the new Vice President of Student Affairs at The Community College of Rhode Island. 🏠

Education Finance Team

Welcome New Employees

By Heather Sutcliffe

MICHAEL MCFARLANE, Director

Administrative Assistant
Sonia Valentine

NORTHEAST SALES TEAM

Northeast Sales Manager
Donna Shelby
Account Executives
Jean Fura
Martha H. Johnston
Jennifer Miller
Open (CT, RI)
Open (NY)

MID-ATLANTIC SALES TEAM

Mid-Atlantic Sales Manager
Sharon Murray
Account Executives
Ben Brudnock
Nancy Chalker
Open (Philadelphia)
Open (NYC)

MIDWEST SALES TEAM

(Marketing under Charter One name)

Midwest Sales Manager
Derrick Williams
Account Executives
Shelly Johnson
Michael Jones
Phil Krauss
Open (IL)

SOUTHEAST SALES TEAM

Southeast Sales Manager
Jim Settles
Account Executives
Jennifer Hoffman
Carole Jones

MARKETING

Marketing Product Manager
Heather Sutcliffe
Marketing Coordinators
John Bertsch
Kristen Bourque
Lindsay Tisdale

OPERATIONS

Operations Manager
Dino DiMascio

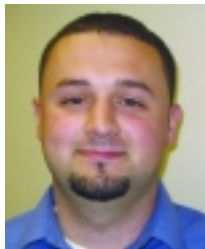
CUSTOMER SERVICE

Customer Service Manager
Lisa Flynn
Education Finance Specialists
Logan Butler
Tia Doane
Holly Scott

VENDOR RELATIONS

Vendor Relationship Managers
Michael Farley
Roxanne Sanchez
Adam Warren

To effectively coordinate all of our industry partnerships, the Vendor Management Department has added two new Vendor Relationship Managers. **Adam Warren**, joined Education Finance April 18, 2005.



Adam Warren



Michael Farley

Additionally, **Michael Farley** joined Education Finance May 31, 2005. States Operations Manager **Dino DiMascio**, "Adam and Michael bring qualities that enhance and strengthen the Vendor Management area. Adam was previously with an area of the bank that relied on his computer systems knowledge and project management skills and Education Finance will certainly benefit from his attention to detail." Dino adds, "Michael comes to us with over five years of industry related experience and has an extensive background in compliance and risk management. He will play a significant role in mitigating risk for the Education Finance Department."



Sonia Valentine

Sonia Valentine joined the Education Finance Team on April 18, 2005, as Administrative Assistant supporting **Michael McFarlane**, Director of Education Finance. Sonia has extensive experience including streamlining processes and increasing office efficiency. Sonia has worked in contract administration

and customer service – two areas that will benefit the Education Finance Department. "Sonia's contributions have already been felt within the department," states Michael. "She is proving to be a valuable member of the team."



Lindsay Tisdale

Lindsay Tisdale joined the Education Finance Marketing Department May 31, 2005, as Marketing Coordinator. Lindsay has extensive experience designing marketing materials and web site pages. Currently a candidate for her Master's Degree at Simmons College in Communication, Lindsay holds a Bachelor's Degree from Vassar College. "We are excited to have Lindsay be a member of the Marketing Department," states **Heather Sutcliffe**, Marketing Manager. "We will definitely rely on her experience to further enhance our collateral material and online presence."



Michael Jones

Michael Jones joined Education Finance's Midwest Sales Team on June, 6, 2005. Michael's experience in the Financial Aid industry includes most recently serving as the Director of Financial Aid at the University of Northwestern Ohio. Michael was with UNO for 12 years. "Michael's knowledge of the Financial Aid industry gives him the right perspective to provide our customers with top-notch service," states **Derrick Williams**, Midwest Sales Manager. Michael is very active in the OASFAA community and is a resident of Ohio. 🇺🇸

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