Highlights of the Student Loan Credit Crunch
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- Pullback in the capital markets
  - FFELP securitization volume down 57% year-over-year
  - No securitizations of FFELP loans originated since 10/1/07
  - No securitizations of private student loans since last year
  - No successful bond issues by state loan agencies since last year
  - Auction-rate securitization market is dead
  - Cost of funds has increased by 137 basis points
  - Index rate mismatch of 35 to 40 basis points, up from 7 basis points
  - College Cost Reduction and Access Act of 2007 cut 65 to 72 basis points from for-profit lender margins and 50 to 57 basis points from non-profit lender margins
- Unprecedented exodus of education lenders
  - 57 lenders have suspended participation in one or more federally-guaranteed education loan programs (50 from all of FFELP, 7 just consolidation loans)
  - 19 lenders have suspended private student loan programs
  - Every type of lender is affected, including 9 non-profit state loan agencies, 19 banks, 2 non-profit lenders, 2 credit unions and 26 non-bank lenders
  - More than 2,509 layoffs industry-wide
  - Major lenders have suspended their participation
    - 8 of the top 10 consolidators
    - 27 of the top 100 consolidators
    - 21 of the top 100 originators of Stafford and PLUS loans
  - Large percentage and amount of loan volume
    - 13.0% of FY2006 FFELP Stafford and PLUS loan volume
    - 67.1% of FY2006 FFELP Consolidation loan volume
    - $6.5 billion in Stafford and PLUS loans to more than 800,000 borrowers
    - $48.5 billion in Consolidation loans to more than 1.6 million borrowers
  - An additional 46 school-as-lender schools have lost their lender partners.
    - 3.3% of FY2006 FFELP Stafford and PLUS loan volume
    - $1.6 billion in Stafford loan volume to 200,000 borrowers
    - 10 of the top 100 originators of FFELP Stafford and PLUS loans
- Cost and availability
  - Lenders cutting Stafford and PLUS loan discounts in half
  - Lenders eliminating Consolidation loan discounts
  - Lenders increasing interest rates on private student loans by an average of 0.86%
  - Lenders raising FICO score thresholds on private student loans from 620 to 650 or even 680 or 700
- Recent events
  - Sallie Mae, the nation's largest education lender, stopped making consolidation loans and suspended its Stafford loan fee waiver program
  - The Education Resources Institute (TERI), the largest nonprofit guarantor of private student loans, filed for Chapter 11 bankruptcy
  - Nelnet sold two portfolios of loans totaling $1.2 billion for an after-tax loss of $28 million