SOLICITATION 200800657: TASK ORDER 01
CONSUMER RESEARCH AND TESTING FOR PRIVATE
EDUCATION LOANS

Report of Findings

Submitted to:
Federal Reserve Board
20th and C Streets, N.W.
Washington, DC 20551

Submitted by:
Rockbridge Associates, Inc.
10130 Suite G Colvin Run Road
Great Falls, VA 22066
(703) 757-5213
www.rockresearch.com
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1. Background and Research Objectives

As the cost of a college education continues to rise, families are increasingly relying on private loans to help finance higher education. The Higher Education Opportunity Act (HEOA) (PL 110-315) requires the Federal Reserve Board to provide regulations to implement new disclosures for private education loans. The Act also requires the Board to provide model disclosure forms based on consumer testing. The objective of this effort is to design and test consumer disclosures related to private education loans provided by creditors.

The Act requires private loan disclosures to be provided several times in the lending process prior to when repayment is required. First, with an application or a solicitation where no application is required, lenders must provide general information about their loan’s rate, fees, and terms. In addition, the Act requires that these disclosures must inform the prospective borrower of the potential availability of Federal education loans and the interest rates on those loans. The disclosures must also state that the consumer may obtain additional information about Federal loans from the school or the Department of Education website, and that the student’s school may offer school-specific loan benefits and terms.

Next, when the lender approves the student’s application for a private education loan, the lender must provide loan-specific information for that particular borrower. The disclosure must also notify borrowers that they have thirty (30) days in which to accept the approved loan during which time the loan’s terms may not change. Finally, before loan funds are disbursed, the lender must provide an updated disclosure form that is substantially similar to the form provided at approval, with the addition of a notice that the borrower has three business days in which to cancel the loan and that loan proceeds will not be disbursed until after this period.

The HEOA disclosures are in addition to the disclosures currently required by the Truth in Lending Act (TILA). TILA requires certain loan cost disclosures be given before consummation for all loans, including education loans.

The objectives of the effort reported here, as mandated by the HEOA, are to develop model disclosure forms that:

1. Are comprehensible to borrowers, with a clear format and design;
2. Provide for clear and conspicuous disclosures;
3. Enable borrowers easily to identify material terms of the loan and to compare such terms among private education loans; and
4. Are succinct, and use an easily readable type font.

The HEOA also requires the Board to prevent duplicative disclosures to the extent possible. Thus, an additional goal of the project is to develop disclosures that minimize duplication with disclosures currently required by TILA.

This report discusses results for the first phase of a three phase project that is targeted for completion by the summer of 2009.
2. Methodology

This project was a collaborative effort between the Board and Rockbridge Associates, Inc., a consumer research firm (and the lead contractor), and EightShapes, LLC, a design firm that was part of the Rockbridge team. In its entirety, the project will consist of three phases, including: 1) initial design and testing, 2) additional interviews and revisions, and 3) final report. The following describes the methodology for developing forms and consumer testing for the first phase.

2.1. Disclosure Form Development

Prior to testing, the initial private education loan financial disclosures were developed through an iterative process that involved the input of Board staff. In preparation of a formal workshop meeting, Rockbridge created a flow chart of the private education borrowing process and a spreadsheet that identified in detail all the specific information requirements from HEOA. These items were used to facilitate communication on legislative requirements and were updated based on Board input.

The Rockbridge/EightShapes team facilitated a five hour, in-person workshop meeting with the Board staff. The primary purpose was to clarify the context in which the forms would be used and discuss design objectives. Topics covered included:

- History of the Legislation – background on initiative, issues and factors that led to legislation
- Student Loan Process – review of flowchart of process, how and when disclosures are used, who is involved, role of paper versus online information
- Users of Loan Disclosures – different types of users, stage of usage, role of parents versus students, role of schools
- Disclosure Requirements – review of content requirements, differences and similarities by stage of process and type of borrower, review of HEOA requirements, volume/detail of requirements
- Form Format – assumptions/expectations on design elements, including colors, fonts, page layout, etc.

Based on the input at the meeting, the lead designer created two alternative disclosure designs. The designs were accompanied by a list of objectives and specifications derived from the meeting, a detailed mapping of specific information requirements to the form designs, and a discussion of the rationale for various ways of presenting information. Experience has shown that more effective designs result from this process of showing multiple approaches and then revising through iterations. In both designs, the TILA disclosures were integrated into the same disclosure documents as the additional HEOA requirements, a strategy that was considered necessary because of the high degree of similarity in information requirements.

Of the two models developed, one consisted largely of organizing all relevant information around a topic together in a section. The other model consisted of presenting a summary of key information elements at the head of the form, followed by more detailed information and explanations of specific areas.
The Rockbridge/EightShapes team met with Board staff to review the design strategy and models. Based on feedback from the meeting, the design team provided a final prototype for consumer testing. Between the official feedback meeting and the final disclosure design model, Board staff and the design team undertook additional iterations to finalize details of the format and the language. The final product included three sets of disclosures:

- Application & Solicitation
- Approval, and
- Final

2.2. Cognitive Interviews

The disclosures were evaluated through a cognitive interview process. The process involved having past borrowers or potential borrowers undergo a simulated shopping experience in which they reacted to the disclosures populated with actual information and provided their feedback while reviewing the documents. The interviewing was conducted in two rounds during December 2008, with significant revisions made to the disclosures between the two rounds. The following summarizes specific elements of the testing methodology, including: recruiting participants, pre-interview data collection, interviewing, and analysis.

As noted earlier, the entire effort will consist of three phases, but this phase of the project consisted of two rounds of interviewing, the first with 10 students/parents in Fairfax, Virginia, and the second with 10 students/parents in Baltimore, Maryland. A sampling/quota plan was agreed with Board staff and used to guide recruiting of participants. The target audience consisted of college students who either obtained private education loans or anticipated taking out such loans in the future, and parents who were involved in planning the education finances for their children who met these criteria. Participants were identified from general databases of consumers in the areas surrounding the research facilities, and were screened to ensure they met the requirements of the study. Quotas were established to ensure:

- An even mix of students versus parents
- An even mix of those with private loans already or who anticipated taking out private education loans
- Good mix of private versus public colleges, and a diversity of campuses represented
- Representation of independent students as well as traditional students
- Good mix of graduate/professional school and undergraduate students
- Representation of parents with low incomes
- Even mix of males and females
- Predominantly full-time students (although some could be part-time)
- To enrich the analysis, each round of interviewing included a couple of matched pairs of students and their parents, though each was interviewed separately.

A structured screening interview was used to guide the recruiting process (see Appendix). Respondents were offered an incentive of $75 to $100 in exchange for participating (and more for respondents who remained on-site as back-ups in the event of a no-show). The table below summarizes the characteristics of the participants interviewed in each round, based on their responses in the recruitment interview.
### SUMMARY OF INTERVIEW PARTICIPANTS FOR PHASE 1 OF PRIVATE LOAN DISCLOSURE STUDY

<table>
<thead>
<tr>
<th></th>
<th>Fairfax County, Virginia</th>
<th>Baltimore, Maryland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td><strong>Type of Participant</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parents</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Students</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td><strong>Private Loan Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has Private Loans</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Anticipates in Future</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Type of School</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Private</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>School Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Part-time</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Type of Program</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Graduate/Professional</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Female</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>

Participants were also asked, upon arriving to be interviewed, to complete an intake survey about themselves and their family, to provide context for the interviewing process (see Appendix). For example, it is useful to know if the participant or their child had already applied for private education loans. The intake survey for students gathered information about: other children in their family, type of school, planned graduation date, degree or expected degree, number and amount of private education loans, lenders used, use of co-signers, and use of private loan consolidation. The parent intake survey gathered similar information, but pertaining to a specific child.

The interviews were conducted in-person at a central facility with a one-way mirror to provide privacy from observers. The interviews lasted approximately 90 minutes and were audio-taped and video-taped. A major part of the interview process consisted of a talk-aloud usability format in which the participant was asked to imagine they were actually shopping for a private education loan and to describe verbally how they were interpreting and using the information on the disclosure forms. The disclosures were provided in black and white, paper format. The interview also consisted of tasks, including marking the forms with comments on what was useful/clear, confusing, and unnecessary/redundant.
An outline of the interview protocol is as follows (see Appendix for detailed interview guide):

- Introduction and explanation of study, with assurances of confidentiality
- Review of background in the in-take survey
- The process the family undertook, or would undertake, in order to shop and apply for private education loans, including: how decisions were made, types of loans obtained, sources of awareness of private loans, sources of information about private loans, lenders considered, who was involved, method of applying, lessons learned
- Usability discussion – for each of the three disclosures (application, approval, final), the discussion included:
  - Review of the form with discussion of impressions and marking of comments
  - Structured diagnostics for the form, including: ability to tell if loan was a good deal, ability to assess impact of loan on the future situation, ease of use, organization, readability, and clarity of language; open-ended probes were asked for each area to ensure adequate feedback to improve the disclosures
  - Perceptions of “next steps” for the borrower based on the form.

- A scorecard assessment across all three disclosures to ensure that key concepts were understood, including: APR, interest rate, cost of loan, start date for payments, penalties, deferment options, whether interest is fixed or variable, payment amounts, the 30 day period for being able to accept the loan terms, and the three day period for being able to cancel the loan.
- As a final check on the usefulness of the disclosures, participants were shown Application & Solicitation disclosures for three versions of loans and asked to choose the best one and explain their reasoning.

As part of the analysis, the results from each interview were organized into a spreadsheet that serves as a data template. The analysis and interpretation of the results was conducted by the core research team (including the interviewers and observers), ensuring validity of findings. The team not only weighed the general findings in the datasets, but assessed them against the general context that emerged from the profiles of each of the families in the study. Key structured diagnostic measures were also tabulated after each round of interviewing to gauge the overall effectiveness of the designs and to minimize subjectivity.

2.3. Iteration of Disclosures

The lead designer from EightShapes attended the bulk of the interviews for both rounds of cognitive interviewing. After each round of interviewing, Rockbridge/EightShapes briefed the Board staff on the results and discussed implications for improvements. While the disclosures received relatively positive feedback on their usability after the first round, significant changes were made to address various consumer problems and questions. Because of the level of revisions between rounds, the discussion on findings presents the cognitive interviewing results for each round separately, the first round being based on the initial designs and the second on the revised designs.
2.4. Limitations of Research

The methodology for the consumer testing follows standard industry practices for evaluating and designing consumer information materials, including financial disclosures. The approach is highly suited to the task of designing financial disclosures because the information requirements are complex and require the insights of a comprehensive (albeit semi-structured) qualitative research process for guidance. However, the limitations of the methodology should be noted. First, the samples are small and based on convenience sources (i.e., consumers readily available to the facilities where interviewing occurred), which affects the degree to which results can be generalized across the entire population of current and prospective borrowers. Qualitative data is also subject to varying interpretations, although this was addressed by including structured measures and involving multiple researchers in the review of findings. In the future, additional rounds of cognitive interviewing are planned at differing locations which will improve the representativeness of the findings.

To guide design decisions, the analysis tallies the results to structured diagnostics for each round and compares the findings across rounds. Such tallying is useful for gauging progress in improving the designs, but the tallies must be viewed as directional in nature. Because of the small samples and differences by location, it is possible for changes to occur for reasons other than the design changes. Thus, in making decisions, the context and reasons for consumer input were weighed as much as the overall trends.
3. Executive Summary and Recommendations

To develop model disclosures for private student loans, two rounds of consumer testing were completed. Each round of interviewing included 10 in-person cognitive interviews with a mix of college students and parents of college students.

During each interview, sample Application & Solicitation, Approval, and Final disclosures for private education loans were reviewed. After the first round of testing, the disclosures were revised to improve clarity and ease of use.

The following key findings and recommendations are based on both rounds of consumer testing, highlighting key consumer search concepts and identifying directions for the next phase of testing.

Private Loan Decision Process
Before reviewing the disclosures with consumers, an understanding of the decision process and roles during the student loan buying process was discussed with consumers to provide context for evaluating the sample disclosures.

In the student loan environment, parents play the central role, or at least a strong advisory role, in determining appropriate financing for their children. Most look for Federal funding options, but there is a great deal of confusion surrounding the different types of funding options and the institutions that provide them. Many turn to their own banks where they have established relationships to identify funding options, and financial aid offices are also seen as an important information source. The incidence of comparison shopping varies, with many going with the first loan offered to them. Most do not recall receiving disclosures for their loans, citing the complicated paperwork involved in the process.

Given that the process is confusing and complicated for consumers, it is critical that the private loan disclosures provided to families are clear and concise, as well as educational in helping them understand the loan they are considering and other educational funding options available. However, consumers recognize that the disclosures cannot provide an elementary education of basic loan concepts.

Application & Solicitation Disclosure
The Application & Solicitation Disclosure is presented to potential borrowers along with an application for the loan they are considering. Information about available rates of interest, repayment options, sample costs of the loan, Federal loan alternatives, next steps and general eligibility requirements are provided on the disclosure.

Rates
In reviewing details of private loan offerings from a lender using the Application & Solicitation Disclosure, consumers focus on the interest rates first. Consumers are surprised to see a range of initial rates quoted in the application stage, as they are more accustomed to lenders quoting a single rate rather than a range of rates they might receive. Their unfamiliarity causes confusion, as they think the high end of the range is the maximum their rate can go, instead of the maximum initial rate. When information is provided on the maximum interest rate, further confusion ensues. The rates information on the Application & Solicitation Disclosure needs to reconcile the rates for consumers to help them understand the starting rate range and the possible maximum rate given the variability of the loan.
Consumers also want a clear understanding of how their initial rate will be determined as they consider applying for a private education loan. It is important to include this information next to the initial rate range, as this answers their immediate question of where they will likely fall in the range.

While consumers realize the private loan has a variable rate, and they know that means the rate can change, they do not understand why the loan would have a variable rate. Given their lack of familiarity with variable rate loans, they are cautious of their rate changing over the life of the loan. The maximum rate is also disturbing to them, especially when it is high. Such concerns show that the disclosures are alerting consumers to important aspects of this type of credit, but more work may need to be done to help them become more comfortable with how the variable rate works.

When it comes to possible fees applicable to the loan, consumers want to see specific figures and dollar amounts. “Origination fee” needs to be defined, as this is a term unique to the lending industry.

Repayment Options and Sample Costs
Although consumers are more likely to use rate information to make a decision about moving forward with applying for a loan, sample total cost information is effective in communicating the effect of a private loan on their financial future. Consumers want detailed total cost information for the different repayment options (i.e., deferring everything, deferring interest only, or making full payments). It is eye-opening for them to understand the cost of not starting payments immediately and makes them stop and consider other options if available. Including the loan term and clarifying what interest rate is used in the examples on the Application & Solicitation Disclosure would make the section even more effective in providing the information consumers need to make an informed decision about the loan.

Federal Loan Alternatives
Even though the disclosure is focused on private loans, consumers are grateful to learn about available Federal loans after the critical information on the private loan is presented on the form. This is especially true for those who are surprised by the private loan rates and variability. They like having the fixed interest rates listed, as well as being clearly told where to find more information on them should they choose to investigate these options.

Next Steps
Providing a Next Steps section is helpful in telling consumers how to proceed. While it is redundant to include a step to investigate Federal loan alternatives, it is necessary because it is important to consumers in understanding their options. The step about submitting a School Certification form is not read carefully, but it is not a part of the process now, so it is unfamiliar to them.

General Eligibility Requirements
Consumers like having information on the key eligibility criteria for the loan included on the disclosure. Most consumers find this information to be relevant and informative. Some even use it as a way to help them pre-qualify themselves for the loan.
Approval Disclosure
The Approval Disclosure is presented to borrowers when they are approved for a specific loan. Information about rates and total loan costs, repayment schedule, Federal loan alternatives, and next steps are provided on the disclosure.

Rates and Total Costs of the Loan
When evaluating a specific private loan offer, consumers focus primarily on the interest rate and loan costs. The traditional TILA box style of presenting the key elements of a loan works well in this context even with novice borrowers.

Consumers’ understanding of the difference between the interest rate and the APR is minimal. Most are not aware they can be different, making it appear there is an error or the lender is not being truthful when both are included.

Variable rates are another point of confusion for consumers. Consumers assume lenders can change their rate at will, and are confused by explanations of their rate being tied to an index. Consumers want to know how often their rate can change and that changes in it are controlled by the market, not their lender. The specific details of how it changes with the market are not necessary to include.

The maximum interest rate provides some security to consumers, as it caps their variable rate, but the high percentage is frightening to them. Again, some believe the lender would immediately raise their initial rate to the maximum rate. Explaining how their interest rate will vary, as discussed above, should alleviate their concerns.

All of these rates (the APR, initial rate, and maximum rate) are even more confusing when consumers try to reconcile them with the initial range of available rates as presented on the Application & Solicitation Disclosure earlier on. An explanation of the difference is necessary for those who notice it.

As noted with the Application & Solicitation Disclosure, consumers want all fees disclosed with specific dollar amounts as part of the discussion of rates and loan costs. Origination fee is not a familiar term to consumers and needs to be defined.

Repayment Schedule
The monthly payment schedule and amounts are also critical information to consumers. Consumers want to be clear if they are deferring payments while in school, when their payments start, and how much their payments are after school. It is important to show this information for both the initial rate and the maximum rate to help consumers understand that their monthly payment will vary based on the rate.

Deferment options are clear to consumers when defined, but the implications of deferment need to be totaled and disclosed to consumers. By doing so, consumers realize the effect of deferment on their finances and think more carefully about their decision.

Including bankruptcy limitations is an eye-opener for consumers. Consumers do not realize that even if they file for bankruptcy they are likely to be required to pay their loans back.
**Federal Loan Alternatives**
Consumers praise the inclusion of information on Federal financial aid on the Approval Disclosure. Consumers are happy to see the information as they review the actual interest rate they would get for a private loan versus potentially less expensive Federal loans. This information encourages them to investigate Federal loans.

**Next Steps**
It is important to include the acceptance deadline for the loan on the Approval Disclosure in large font to help consumers ensure they meet the deadline if they choose to accept the loan.

**Final Disclosure**
The Final Disclosure is presented after the consumer accepts the offer from the lender. It is identical to the Approval Disclosure, except it includes a Right to Cancel clause.

**Right to Cancel**
Consumers consider the Right to Cancel clause critical information to know when doing a final evaluation of the loan. They want clear information on the procedure to cancel, including defining the 3 days they have to rescind (postmarked or actually receive the letter).

**Federal Loan Alternatives**
The Federal loan options are not necessary to include at this stage of the process. Consumers feel they are redundant, as they have been told twice on previous disclosures about the options.
4. Detailed Findings

4.1. Decision Process Experience

In order to provide context to help with the development of disclosures, students and parents were asked about the types of funding they use for higher education and the processes they undergo to choose and apply for private loans. The following discusses what consumers reported about their past experiences and future strategies for shopping for private loans.

4.1.1. Use of Private Education Loans

For all families, with and without private loans, there is a common theme of coming up short on funds to pay for college. The total cost of higher education exceeds the amount of funding available through scholarships and grants, and/or the amount families are able to save. The situation is exacerbated by the rising cost of education, auxiliary costs such as books, living expenses, and additional time spent in school.

When asked about future plans, families indicate they will seek “free” funding options over taking out additional loans to pay for education expenses. Government grants, scholarships, and tuition reimbursement through employers are seen as viable options for financing education. This may be wishful thinking since most families are relying on their own funds or loans to pay for college.

Students with private loans and their families have typically investigated Federal funding sources before applying for private loans. Some were under the impression that they were not qualified for Federal loans due to their household income being too high or because they were a non-degree seeking student. For some, Federal loans did not cover the entire cost of their education or had been exhausted, so they needed to take on private loans to cover the remaining education costs.

On the whole, consumers without private loans exerted more effort than those with private loans in researching and obtaining scholarships, grants, endowments, and employer contributions. One consumer claimed to have spent well over 200 hours researching grants and scholarships. A few families without private loans started saving for the student’s education well in advance, which may be the reason they did not initially need to take out private loans.

4.1.2. Information Gathering and Decision Process for Private Education Loans

The roles for deciding how to pay for college vary, but in many cases, parents play the central role with only some supplemental help from their child. Generally, students either contribute both money and effort or just effort (researching loans and applying for scholarships, grants, etc.). The responsibility often shifts from the parents to the student as the student progresses through their college career. There are also extremes, with some students being solely responsible for paying for college, and in other cases, parents carrying the entire burden of paying.
Most consumers have a limited understanding of the Federal loans available and some are unclear about the differences between Federal and private loan programs. Sallie Mae stands out as being the most well known private source for Federal loans such as Staffords. Consumers generally prefer Federal loans over private ones, and assume the Federal options offer better terms.

Many borrowers place a great deal of trust in their banks and have, or would, rely on them as a primary source of information when evaluating loans. Some feel it is easier and less time consuming to simply go into their bank to obtain information and opt for the program the bank recommends than to rely on other potential sources. Several consumers gravitate towards family and friends for advice and information about education loans. Students especially look for advice from their parents.

Another source being utilized consists of school resources. Both high school guidance counselors and financial aid departments in colleges are viewed as credible and valuable information sources.

Consumers use or anticipate using the Internet to collect information on education loans. However, they are uneasy with it being the only source and want to speak with a live person due to the complexity and magnitude of the financial commitment. This anxiety is less prevalent when taking out Federal loans than it is with private loans. In turn, consumers feel more comfortable applying for Federal loans online.

When deciding which loan to take, interest rate is the primary criterion for comparing loans. Consumers also evaluate options based on repayment plans available. Lower payments and deferment options were both important aspects of the repayment plan. However, it was apparent that the intensity of comparison shopping varied, and in many cases, consisted of applying for the first loan offered, rather than comparing several alternatives.

Consumers were asked about their recall of Federal disclosures when they applied for education loans. If seen at all, disclosures were read hastily. Consumers thought they were hard to read and had too much information to discern. One person regretted having not spent more time reviewing the disclosure after being surprised to find that interest payments were due immediately on the loan.
4.2. Application & Solicitation Disclosure

The Application & Solicitation Disclosure is designed to be presented to potential borrowers along with the loan application. It is intended to clearly communicate the key information in evaluating the loan offering. It is also intended to be used by borrowers in comparing loan offerings to help decide which would be best for them.

4.2.1. General Impressions of the Application & Solicitation Disclosure

In Round 1 of consumer testing, the Application & Solicitation Disclosure was effective in providing the information consumers need to make a decision about a loan. It was also successful at communicating the effect the loan would have on their future. Consumers were split about the level of emphasis put on the information relevant in making a decision about the loan. For example, some felt that one item of information, a “worst case scenario of a 25% interest rate,” should have been more obvious.

<table>
<thead>
<tr>
<th>Application &amp; Solicitation Disclosure: Round 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/ your child in future?</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
</tr>
</tbody>
</table>

In Round 1, the initial Application & Solicitation Disclosure was viewed as “somewhat easy” to use in evaluating the private loan. Further, the organization of the disclosure was rated “somewhat easy” to follow. The language/terminology used was “somewhat easy” to understand, but was not rated higher because of confusion over some terms used within the forms (discussed in the following sections). In terms of readability, consumers found the form to be nearly “very easy” to read due to the size and styles of fonts and the amount of white space on the form.

<table>
<thead>
<tr>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>- among 10 participants -</td>
</tr>
</tbody>
</table>

How easy is form to use in evaluating private loan? 🌟🌟🌟

What about the organization of the form? How easy is it to follow? 🌟🌟🌟🌟

How easy is it to read the information printed on this form? 🌟🌟🌟🌟

Is the language/terminology clear and understandable? 🌟🌟🌟🌟

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”
For Round 2 of the consumer testing, the Application & Solicitation Disclosure was updated to address issues consumers brought up in Round 1 such as a need for clearer labeling. Consumers’ ratings on the disclosure improved in Round 2, for the most part. About the same number were clear about how the loan would affect their financial future, and more than in Round 1 believed that enough emphasis was put on the information relevant in making a decision about the loan.

The major issue in Round 2 was that fewer consumers than in Round 1 felt they could tell if the loan was a good deal or not. One possible reason for the drop in rating was that the clearer labeling on the revised form made it apparent that the Sample Costs were based on examples and not a real loan. Once consumers realized they were looking at hypothetical examples, they tended to give lower ratings on the usefulness of the information because it was not specific to their situation.

### Application & Solicitation Disclosure: Round 2

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
<td>4 of 10 “yes”</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/your child in future?</td>
<td>8 of 10 “yes”</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
<td>8 of 10 “yes”</td>
</tr>
</tbody>
</table>

The updated Application & Solicitation form received similar usability ratings as in Round 1. Consumers still believed the form was "somewhat easy" to use to evaluate the loan and that it was "somewhat easy" to follow in terms of organization. The form continued to be nearly "very easy" to use in terms of readability for the same reasons as in Round 1, and consumers believed the language/terminology used was "somewhat easy" to understand.

### Average Rating - among 10 participants -

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>How easy is form to use in evaluating private loan?</td>
<td>🌟🌟🌟</td>
</tr>
<tr>
<td>What about the organization of the form? How easy is it to follow?</td>
<td>🌟🌟🌟</td>
</tr>
<tr>
<td>How easy is it to read the information printed on this form?</td>
<td>🌟🌟🌟🌟</td>
</tr>
<tr>
<td>Is the language/terminology clear and understandable?</td>
<td>🌟🌟🌟</td>
</tr>
</tbody>
</table>

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”

The following section provides detailed findings from consumers’ evaluation of the Application & Solicitation Disclosure in each round of testing.
4.2.2. Reactions to Detailed Elements of Application & Solicitation Disclosure


For Round 2 of testing, the disclosure was redesigned to better address the informational needs of consumers. The information was consolidated into six sections and included the following: Introductory and Creditor Information, Rates & Loan Terms, Repayment Options & Sample Costs, Federal Loan Alternatives, Next Steps and General Eligibility Requirements.

4.2.2.1. Introductory Section of Application & Solicitation Disclosure

The top of the Application & Solicitation Disclosure includes an introductory paragraph explaining the purpose of the form, as well as creditor contact information.

<table>
<thead>
<tr>
<th>Private Education Loan Disclosure - Application &amp; Solicitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDITOR: First ABC Bank</td>
</tr>
<tr>
<td>12345 1st St, Anytown, CA 93120</td>
</tr>
<tr>
<td>This disclosure provides important information about available loans. Please review this information closely to ensure you understand the terms and options available for financing your education.</td>
</tr>
</tbody>
</table>

Although most consumers ignored the introductory and creditor information on the top of the disclosure, those who noticed and commented about the section mentioned that it was good information to have. A few of them wanted to see additional information about the creditor, such as a phone number, but most who reviewed the information were fine with what was provided.

Due to its acceptance by consumers in Round 1 of testing, no design updates were made to the introductory and creditor information provided on the Application & Solicitation Disclosure for Round 2 of testing.

<table>
<thead>
<tr>
<th>Private Education Loan Disclosure - Application &amp; Solicitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDITOR: First ABC Bank</td>
</tr>
<tr>
<td>12345 1st St, Anytown, CA 93120</td>
</tr>
<tr>
<td>As in Round 1, few noticed or commented about the introductory and creditor information provided.</td>
</tr>
</tbody>
</table>
4.2.2.2. Rates Section of Application & Solicitation Disclosure

The Rates section of the form appeared directly below the introductory and creditor information. This section was designed to show consumers the range of initial rates available on a loan, indicate the conditions used to determine the initial rate, disclose that the rate is variable and what the maximum rate would be. The Rates section also included information about Loan Fees and Loan Eligibility.

<table>
<thead>
<tr>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current range of available initial rates:</td>
</tr>
<tr>
<td>from <strong>7.375%</strong> to <strong>17.375%</strong></td>
</tr>
</tbody>
</table>

**HOW YOUR SPECIFIC RATE IS DETERMINED**
- Rates will be determined based upon a variety of factors including school type and borrower and cosigner (if applicable) credit history.
- Rates are typically lower when a co-borrower is included.

**YOUR RATE IS VARIABLE**
This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 25%. The rate will not increase more than once every calendar month.

**LOAN FEES**
Origination fees range from 0% to 6%.

**ELIGIBILITY**
To qualify for a private education loan, you must meet certain criteria.

The Rates section received the most attention initially. Most consumers mentioned the rates and started reviewing the information provided. Some indicated that the rates of 7.375% and 17.375% used in the example are "really high." Based on how those interviewed conversed about the rates, it was apparent that most incorrectly believed the range represented how much the interest rate could vary during the time they held the loan and not the range of rates available initially for a new loan. One factor contributing to this confusion may be that consumers are not accustomed to being quoted a range of rates when shopping for credit, rather, they are either quoted a single rate or told they must submit an application first.

**How Your Specific Rate is Determined**
As consumers studied the information further, questions arose in regards to how rates are determined and what is taken into consideration. They wanted more information that explained how interest rates are calculated, and upon further review, some suggested including the LIBOR information provided in the Reference Notes of the Approval and Final disclosures. Some had questions about what "school type" means in the context of the disclosure form. To others, the term "co-borrower" was unclear, especially since the term co-signer is used interchangeably in the rest of the disclosure form.

"Would a co-borrower also be using the loan I get?"

**Your Rate is Variable**
Most students and all parents made note of the "Your Rate is Variable" text, recognizing the terminology and verbally expressing their objection to taking loans with variable rates.

"I'd rather get a loan with a fixed rate."
Initially, few noticed or mentioned the maximum interest rate of 25% but most did as they took more time to review the information provided. Once they read the sentence, some wondered out loud about the “difference” between 17.375% and 25% and why two maximum rates were provided.

**Loan Fees**
A clear difference in the understanding of loan related terminology was observed between parents and students when reviewing the Loan Fees section. Most students did not know what “origination fees” were.

**Eligibility**
Few made mention of the information provided on eligibility, or the footnote reference on the topic, but most seemed to read over the information. Those who reviewed the detailed eligibility information provided in the Reference Notes were fine having it located there. In fact, some felt that it was not possible to include all of the eligibility information in the Rates section.

**Round 2.** On the testing version for Round 2, the Rates & Loan Terms section underwent a number of updates. Notably, Loan Terms information was moved into this section to enable greater emphasis on the Repayment Options & Sample Costs. The descriptions and information provided under the sub-headers of the section were also enhanced to provide greater emphasis of important concepts and clarity. For example, more emphasis was placed on the “initial” rates label above the rate range and on the maximum interest rate notation “never exceed 25%” (under “This Rate is Variable”). The sub-heading “how your specific rate will be determined” was changed to “how your initial rate will be determined,” and the information under it was presented in bullet point format and addressed the factors that go into determining a rate and the typical effect of a co-signer on the rate.

### Rates & Loan Terms

<table>
<thead>
<tr>
<th>Current range of available initial Interest Rates:</th>
<th>HOW YOUR INITIAL RATE WILL BE DETERMINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>from 7.375% to 17.375%</td>
<td>• Your actual initial rate (from within this range) will be determined based upon factors including borrower and co-signer credit history, and school type (such as graduate, undergraduate, vocational, medical).</td>
</tr>
<tr>
<td>Term of Loan:</td>
<td>• A co-signer is not required, but rates are typically lower when a co-signer is included.</td>
</tr>
<tr>
<td>amounts less than $20,000 20 years</td>
<td>THIS RATE IS VARIABLE</td>
</tr>
<tr>
<td>amounts more than $20,000 30 years, 1 month</td>
<td>• This loan has a variable rate of interest. A variable rate means that your actual rate could go higher or lower than the rates indicated as the “Current Range of Available Initial Interest Rates.” There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will never exceed 25%.</td>
</tr>
<tr>
<td>FEES</td>
<td>• A $15 fee is required to apply for this loan with First ABC Bank.</td>
</tr>
<tr>
<td>• The fee that the lender charges to make this loan (commonly referred to as the “Origination Fee”) will range from 0% to 6%.</td>
<td></td>
</tr>
<tr>
<td>• Late Charge: 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: up to $25.</td>
<td></td>
</tr>
</tbody>
</table>
Initial Interest Rates Range
Despite the attempt to emphasize the “initial” rates label, it was still not clear to consumers that the range in the disclosure was for the loan’s starting rate and not the range the rate can vary throughout the life of the loan. Some thought the 17% was the maximum of the interest rate’s variability, and questions arose among those who noticed the “will not exceed 25%” notation. After noticing the 25% rate, some believed it would be added to their initial rate and others thought the rate would only exceed 17% and go up to 25% based on payment history. The form tested needs to be updated to avoid confusion between the range of starting rates determined by underwriting, and the maximum rate determined by the loan terms.

Term of Loan
Though few commented on this area of the disclosure form, there did not seem to be any misunderstanding about the information provided in Round 2.

How Your Initial Rate Will Be Determined
In Round 2 of testing, the changes in the disclosure improved clarity. Few questions arose about the header How Your Rate will be Determined or the information provided under that sub-header, and most of those who commented on the information found it useful. Some consumers suggested providing a set of specific criteria for getting the lowest rate (7%).

This Rate is Variable
In the revised disclosure, it was apparent that many consumers were not reading the information provided under the sub-header carefully. However, it was clear that they understood their rate could go up. Most seemed to focus on the “never exceed 25%” notation at first and some confusion was noticeable. Future versions of the disclosure form should do more to emphasize that the rates offered are variable as well as the maximum interest rate on the loan, if applicable.

Fees
The update made in the description of Origination Fee for the second round of testing worked well, with nobody having questions. The Late Charge section generated some questions because consumers did not know what the actual charge would be without knowing the exact “amount past due.”
4.2.2.3. Repayment Terms & Cost Estimates Sections of Application & Solicitation Disclosure

The Repayment Terms section was designed to communicate the term of the loan, the repayment and deferment options available and the late fees and penalties applicable to the loan. To convey this information, the Cost Estimates area for the disclosure showed an example of the total cost of the loan given a $10,000 loan amount based on each repayment/deferment option.

### Repayment Terms

<table>
<thead>
<tr>
<th>Estimated loan term:</th>
<th>INTEREST &amp; PAYMENT DEFERRAL OPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than $20,000</td>
<td>20 years, 0 months.</td>
</tr>
<tr>
<td>more than $20,000</td>
<td>30 years, 1 month.</td>
</tr>
</tbody>
</table>

**INTEREST & PAYMENT DEFERRAL OPTIONS**

You can choose from the following repayment options. Interest continues to accrue during deferment and will be added to the principal balance of your loan upon entering repayment.

- Defer Principal and Interest: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment. 2
- Immediate Interest Only (Defer Principal): Pay only interest while continuously enrolled in school or in medical residency.
- Immediate Repayment of Principal and Interest: Pay principal and interest in a fixed monthly amount.

**PENALTIES & LATE FEES**

Late Charges, Return Check Charges 3

### Cost Estimates

**Example of total costs over the life of the loan**

This example shows the total cost of the loan over the life of the loan under each option for deferred payment. It assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.

The interest rate used in this example is the maximum rate currently available. Because this interest rate is variable, the actual rate could go higher. There is no limit on the amount that the rate could increase at one time, but the interest rate will not exceed 25%.

<table>
<thead>
<tr>
<th>IN-SCHOOL REPAYMENT OPTION</th>
<th>FINANCE CHARGES</th>
<th>TOTAL FOR REPAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defer Principal &amp; Interest</td>
<td>$53,947.87</td>
<td>$63,947.87</td>
</tr>
<tr>
<td>Pay Interest, Defer Principal</td>
<td>$33,705.71</td>
<td>$43,705.71</td>
</tr>
<tr>
<td>Pay Principal &amp; Interest</td>
<td>$25,886.96</td>
<td>$35,886.96</td>
</tr>
</tbody>
</table>

**Example:** $10,000 loan at 17.375%

Repayment Terms

It was unclear to most that the Repayment Terms section provided three pieces of information. The only part that was totally clear to most was the Penalties & Late Fees information. Some suggested including the actual late fee charge (dollar amount) along with the information. Few noted the loan term information, and it is possible that some found it irrelevant since they did not have a specific loan amount in mind. It was also unclear to most that the Interest & Payment Deferral Options part of this section was providing the choices they have in repaying/deferring the loan. Some were not sure what the terms “deferral” and “defer” mean. Quite a few suggested linking the information being provided with the table under the Cost Estimate area below it.
Cost Estimates
The table was clearly the main focal point of this section but some were not sure what the numbers represented or where they came from. It was unclear to most what the three rows of information represented and what information was being conveyed. As a result, it was apparent that most did not initially notice the line above the table which specified that the example was based on a "$10,000 loan at 17.375%.

Round 2. The bottom half of page 1 of the disclosure underwent significant changes in the redesign for Round 2 of consumer testing. The changes were intended to draw out and outline a borrower’s repayment options more clearly as they were not apparent to consumers in Round 1 of testing. The table of options provided included loan amount information as well as the interest rate upon which the loan costs and total of repayment were based. The “About this example” box was also created in the re-design to draw out key information related to the figures provided on the table.

In-School Repayment Options & Sample Costs

<table>
<thead>
<tr>
<th>In-School Repayment Options</th>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Loan Costs (finance charge)</th>
<th>Total for repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MAKE FULL PAYMENTS</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$25,886.96</td>
<td>$35,886.96</td>
</tr>
<tr>
<td>Pay principal (original loan amount) and interest in a monthly amount while enrolled in school.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. PAY THE INTEREST ONLY</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$33,705.71</td>
<td>$43,705.71</td>
</tr>
<tr>
<td>Pay only interest while enrolled in school (any late or returned check fees incurred will be added to the balance of the loan).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. DEFER (Postpone) ALL PAYMENTS</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$53,947.67</td>
<td>$63,947.67</td>
</tr>
<tr>
<td>Make no payments while continuously enrolled in school. All unpaid accrued interest during this time will be added to the outstanding principal balance of your loan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

About this example
- The interest rate used in this example is the highest initial interest rate currently available.
- Because this interest rate is variable, the actual rate could go lower or higher over the life of the loan, but will never exceed the maximum rate of 25%.
- This example assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.

In-School Repayment Options
The redesign of this table worked well. It was effective at clearly presenting the options for repayment or deferment to consumers and what each option would mean to the borrower in the future. Consumers were clear that the increase in loan costs and total repayments depended on their choice to defer or start repaying the loan. A few questioned why the 17% interest rate was used for the example as most seemed confident about getting loans at lower rates. Some were also unclear about where the 17% interest rate came from and did not make the connection between the upper range of initial rates and the example. A few also wondered what loan term the examples were based on, since the loan term was not mentioned in this section. A couple of students were surprised how high the Total for Repayment was as they planned to pay off their loans in a year or two after graduation.
The next version of the disclosure could help to clarify some confusion by relabeling the "Interest Rate" column to "Highest Available Initial Interest Rate" and adding a column specifying the term of the loan.

About this Example
As consumers reviewed the information in the Repayment Options & Sample Costs section, it was apparent that few read the "About this example" box in detail. It is clear that most consumers focused on the table and figures provided.

4.2.2.4. Federal Loan Options Section of Application & Solicitation Disclosure

The purpose of Other Options for Financing Education is to communicate Federal Financial Assistance options that should be considered, the interest rates available on Federal financial aid loans and where to get information about Federal financial aid. The information was placed on the second page of the disclosure.

### Other Options for Financing Education

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

Most had questions when reviewing this information. Although consumers were usually clear that the loans represented options available to them, it was not immediately clear what type of options these were (i.e., loans versus free money sources) or where they could get them.

"Are these loans I can get through the same source as the private loan?"

As they studied the information further, some also wondered why this information was on a form about a private education loan and why they would consider these if they were looking into a private education loan already. As they read over the table, some asked what the different types of Federal loans were and how they were different. It was not immediately apparent to most that the loans on the list would come from the Federal government or that the rates would be fixed instead of the variable rate of the private education loan being considered.

Those who recognized the options and understood that the loans would come from the Federal government were impressed by the fact that the information was provided on a form related to a private education loan. Some also made the connection between the loans and the FAFSA they submitted in the past.

Though a lot of questions came up, most seemingly understood that the options provided were another source of funding they should consider and expressed their appreciation at having the
information on the disclosure form. Most also understood they can contact their college financial aid office to find out more about the information in this section, and seemed willing to do so. Only a few indicated that their next step would be to go to the www.ed.gov site to get information.

Round 2. A few updates were made to the information provided about alternatives for financing education. The section label was updated from “Other Options for Financing Education” to “Federal Loan Alternatives” to more clearly identify the types of loans being referenced. The reference to “school specific student loans” was moved to “Next Steps”. The short introductory sentence was updated to reference the provider of the loans and where to go to learn about the alternatives.

**Federal Loan Alternatives**

Other types of loans may be available to you through the Federal government. You may contact your school’s financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

**ABOUT FEDERAL LOANS**

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school’s financial aid office or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

As with Repayment Options & Sample Costs, the updates to the design of Federal Loan Alternatives worked well. Consumers in Round 2 recognized that the loans being referenced would be offered by the Federal government, and knew where to go to get information about the alternatives. The lower interest rates presented also prompted consumers to rethink getting or applying for a private loan. Interestingly, consumers in Round 2 of testing were less likely to point out that the interest rates for the Federal loans presented were fixed versus the variable rate of the private education loan under consideration.
4.2.2.5. Next Steps Section of Application & Solicitation Disclosure

The Next Steps section of the Application & Solicitation Disclosure is intended to reiterate where to get information about Federal financial aid, and to communicate the requirement to complete a school certification form in order to apply for the private education loan in question.

Next Steps

| YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION. | Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov. |
| IF YOU CHOOSE TO APPLY FOR THE PRIVATE LOAN, YOU WILL NEED TO COMPLETE THE SCHOOL CERTIFICATION FORM. | This form may be obtained by contacting your school's financial aid office. Note that the terms of the private loan are available 30 days from approval date (terms will not change during this period). |

Most reviewed the Next Steps section quickly and some indicated that the action item for Federal financing should not repeat the information already detailed in the Other Options for Financing Education section or that it should be listed there.

When asked what their next steps would be, most would check into the option listed through their financial aid office. None really made mention of what their next steps in regards to the private education loan would be.

Round 2. The Next Steps section of the Application & Solicitation Disclosure was updated in a few ways. The sub-headers were numbered in the Round 2 version and the statements were re-written to be clearer about the actions a borrower could take. Additional detail was also provided under the sub-headers to be clearer about how to take the specific action.

Next Steps

1. **Find Out More About Other Education Financing Options.**
   Some schools have school-specific student loan benefits and terms not detailed on this form. Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov to obtain more detailed information about the alternative financing options available to you.

2. **If You Choose to Apply for this Private Loan, Complete and Sign the School Certification Form and Return It to Us.**
   You may obtain this certification form from your school's financial aid office. Note that the terms of the private loan are available 30 days from approval date (terms will not change during this period, except that the variable interest rate may change based on adjustments to the index).

Most consumers in Round 2 of testing believed #1 of the Next Steps was redundant with the information provided under "About Federal Loans" in the "Federal Loan Alternatives" section.
However, they were not adamant about removing it from the form, as it is an important next step, so it should be kept on the form.

It was also apparent that few read the information about submitting a School Certification Form to proceed with the private education loan under consideration. However, since this action is not in effect now, some may not have realized what it meant.

4.2.2.6. Reference Notes Section of Application & Solicitation Disclosure

The Reference Notes were intended to serve as details for information provided previously on the disclosure. Comprehensive eligibility requirements, capitalized interest and late fee information were provided.

<table>
<thead>
<tr>
<th>REFERENCE NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility requirements</strong></td>
</tr>
<tr>
<td><strong>Borrower</strong></td>
</tr>
<tr>
<td>• Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.</td>
</tr>
<tr>
<td>• Must be the age of majority at the time of loan application.</td>
</tr>
<tr>
<td>• Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer (co-signer must be a U.S. citizen or permanent resident), the student borrower can be a U.S. citizen, U.S. permanent resident, or Legal Alien.</td>
</tr>
<tr>
<td>• Student borrower must provide a copy of an unexpired government-issued ID.</td>
</tr>
<tr>
<td><strong>Co-signers</strong></td>
</tr>
<tr>
<td>• Must be the age of majority at the time of loan application.</td>
</tr>
<tr>
<td>• Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid BCIS nonimmigrant status.</td>
</tr>
<tr>
<td>• Co-signers must provide a copy of an unexpired government-issued ID.</td>
</tr>
<tr>
<td><strong>Borrowers &amp; Co-signers</strong></td>
</tr>
<tr>
<td>• There can be no record of a bankruptcy.</td>
</tr>
<tr>
<td>• There can be no record of a current student loan delinquency.</td>
</tr>
<tr>
<td>• Aggregate student loan debt for the Student Borrower (including both private and government guaranteed plus amount financed) cannot exceed the aggregate limit for the program under which the customer is applying. The aggregate limit does not apply to the co-signer.</td>
</tr>
<tr>
<td><strong>School Requirements</strong></td>
</tr>
<tr>
<td>• Must be Title IV eligible and located in the United States, Canada or U.S. Territories and approved by Bank.</td>
</tr>
<tr>
<td>• Must not be under any Department of Education sanctions related to financial, administrative, or loan performance.</td>
</tr>
<tr>
<td>• Must be in compliance with all applicable federal and state laws.</td>
</tr>
<tr>
<td>• Must be a degree-granting school.</td>
</tr>
<tr>
<td>• Total number of loans in repayment (from cohort default rate) in the past 3 years must be more than 100 in the aggregate.</td>
</tr>
<tr>
<td>• Stand-alone Chiropractic schools are excluded.</td>
</tr>
</tbody>
</table>

The Reference Notes section of the Application & Solicitation Disclosure form seemed to convey the intended information. Most were unclear about the connection of the items in this section to the rest of the form, despite the footnote notations, but nevertheless noted that having this information was useful. The questions that came up in this section were mainly related to the use of some terminology such as Title IV, age of majority, co-signer and capitalized interest. Consumers found the Borrower, Co-Signers and Borrowers & Co-Signers information most relevant, while School Requirements seemed to be less applicable to their situation.
Round 2. For Round 2 of consumer testing, the Reference Notes section was renamed as "General Eligibility Requirements." The content of the section was trimmed down from the disclosure tested in Round 1, with some elements being moved to Rates and Loan Terms. The requirements in Round 2 addressed those relevant to a primary or co-borrower and not school specific requirements. The footnotes were replaced with bullets.

<table>
<thead>
<tr>
<th>GENERAL ELIGIBILITY REQUIREMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
</tr>
<tr>
<td>• Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.</td>
</tr>
<tr>
<td>• Must be 18 years or older at the time of loan application.</td>
</tr>
<tr>
<td>• Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer (co-signer must be a U.S. citizen or permanent resident), the student borrower can be a U.S. citizen, U.S. permanent resident, or legal alien.</td>
</tr>
<tr>
<td><strong>Co-signers</strong></td>
</tr>
<tr>
<td>• Must be 18 years or older at the time of loan application.</td>
</tr>
<tr>
<td>• Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid BOS non-immigrant status.</td>
</tr>
<tr>
<td><strong>Borrowers &amp; Co-signers</strong></td>
</tr>
<tr>
<td>• There can be no record of a bankruptcy.</td>
</tr>
<tr>
<td>• There can be no record of a current student loan delinquency.</td>
</tr>
<tr>
<td>More information about loan eligibility is available in your loan application and promissory note.</td>
</tr>
</tbody>
</table>

The General Eligibility Requirements section of the revised disclosure was clear to consumers. A few mentioned the information provided could be used to help them prequalify themselves for the private education loan being considered.
4.2.3. Comparison Shopping Using Application & Solicitation Disclosure

One gauge of the effectiveness of the disclosures is their ability to help consumers make comparisons when shopping alternatives. For purposes of testing this goal, it was assumed that consumers would use the Application & Solicitation Disclosure to compare available loans from different lenders.
In evaluating the loan offerings, consumers in Round 1 of testing immediately focused on the rates range. It again became apparent that consumers looked at the rates ranges as the rate limits of the loans being considered. Most would have chosen the loan with the smallest range (6.45% to 9.25%) because it seemingly offered the least variability. A few also looked at the Costs Estimates table at the bottom of the page to make their comparisons, and still concluded that the 6.45% to 9.25% rate loan would be best. Only a few would have chosen the loan giving them the lowest possible rate of 5.5%. Although each loan option had the 25% maximum rate, few remembered or mentioned how this would affect their decisions.

In Round 2 of testing, consumers were more likely to review and consider the sample costs table along with the rates range presented. It was still clear that consumers would consider the range of rates offered to be the rate limits on the loan they would sign up for. Most still decided to go with the loan offering the smallest range of initial rates (6.45% to 9.25%).

While consumers seemed comfortable making comparisons with the disclosures, these findings illustrate the difficulty they face trying to make decisions when critical terms are presented as ranges of possible outcomes. In order to make a credible comparison, consumers would need to know the specific rate each lender was willing to offer them.
4.3. Approval Disclosure

The Approval Disclosure is presented to borrowers after they are approved for a particular loan. Its purpose is to disclose all of the information necessary for the borrower to understand and evaluate the loan being offered by the lender. It is the second of three disclosures shown to prospective private loan borrowers.

4.3.1. General Impressions

In the first round of testing, the initial version of the Approval Disclosure was effective in providing the information consumers felt was useful in deciding on a loan. It also clearly communicated information that they felt would allow them to determine the effect of the loan on their financial future, and provided critical information clearly and concisely to help them analyze the loan deal they were offered. However, it is important to keep in mind that these comments are based on a limited sample size and should be considered directional in nature.

<table>
<thead>
<tr>
<th>Approval Disclosure: Round 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/your child in future?</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
</tr>
</tbody>
</table>

The initial Approval Disclosure was viewed as “somewhat easy” in helping consumers evaluate the loan. The organization of the disclosure and the terminology and language used was also “somewhat easy” to understand, but not “very easy” because consumers were confused by some of the elements of the form (discussed in the following sections). Consumers found the overall layout using section headings and distinctions (lines under the headings) highly effective in breaking up information in logical pieces for them to evaluate. The disclosure was also easy to read due to the font style and size used.

<table>
<thead>
<tr>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>- among 10 participants -</td>
</tr>
<tr>
<td>Very Easy, the highest possible rating, is represented by 4 stars</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How easy is form to use in evaluating private loan?</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Average Rating" /></td>
</tr>
<tr>
<td>What about the organization of the form? How easy is it to follow?</td>
</tr>
<tr>
<td><img src="image" alt="Average Rating" /></td>
</tr>
<tr>
<td>How easy is it to read the information printed on this form?</td>
</tr>
<tr>
<td><img src="image" alt="Average Rating" /></td>
</tr>
<tr>
<td>Is the language/terminology clear and understandable?</td>
</tr>
<tr>
<td><img src="image" alt="Average Rating" /></td>
</tr>
</tbody>
</table>

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”
After Round 1 of consumer testing was completed, changes were implemented to the Approval disclosure. In Round 2 of testing, consumers’ ratings improved. Nearly all consumers in the second round of testing believed they could use the information on the form to evaluate the loan and tell how the loan would affect their financial future. All consumers felt the most important information was highlighted on the disclosure appropriately.

<table>
<thead>
<tr>
<th>Approval Disclosure: Round 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/your child in future?</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
</tr>
</tbody>
</table>

On average, the ease of use of the Approval Disclosure improved slightly with the changes to the form. The form was viewed slightly better on organization and the terminology/language being understandable. The readability was similar to the original Approval Disclosure, which was already relatively high.

<table>
<thead>
<tr>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>- among 10 participants -</td>
</tr>
<tr>
<td>Very Easy, the highest possible rating, is represented by 4 stars</td>
</tr>
<tr>
<td>How easy is form to use in evaluating private loan?</td>
</tr>
<tr>
<td>What about the organization of the form? How easy is it to follow?</td>
</tr>
<tr>
<td>How easy is it to read the information printed on this form?</td>
</tr>
<tr>
<td>Is the language/terminology clear and understandable?</td>
</tr>
</tbody>
</table>

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”

The following section provides detailed findings from consumers’ evaluation of the Approval Disclosure in each round of testing.
4.3.2. Reactions to Detailed Elements of Approval Disclosure

The initial Approval Disclosure included six sections: Introductory, Borrower and Creditor Information; Rates and Loan Costs; Repayment Terms, Other Options for Financing Education; Next Steps and Terms of Acceptance; and Reference Notes.

The Approval Disclosure in Round 2 of testing included the same six sections with some slightly different titles to clarify the content to consumers: Introductory, Borrower and Creditor Information; Loan Rates and Estimated Total Costs; Repayment Schedule and Terms, Federal Loan Alternatives; Next Steps and Terms of Acceptance; and Reference Notes.

4.3.2.1. Introductory Section of Approval Disclosure

The top of the initial Approval Disclosure included an introductory paragraph explaining the purpose of the form, as well as borrower and creditor contact information.

<table>
<thead>
<tr>
<th>Private Education Loan Disclosure - Approval</th>
<th>Page 1 of 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>This disclosure provides important information about the loan for which you have been approved. Please review this information closely to ensure you understand the terms and options available for financing your education.</td>
<td></td>
</tr>
</tbody>
</table>

BORROWER: Christopher Smith Jr.  
1492 Columbus Way  
Plymouth, MA 02360

CREDITOR: First ABC Bank  
12345 1st St  
Anytown, CA 93120

Consumers did not pay much attention to the introductory paragraph, but it may become necessary in an actual borrowing situation in order to introduce the disclosure to the borrower. However, they appreciated having the name and contact information of the borrower and creditor at the top so they can keep track of multiple lenders they may have, as well as children with education loans (in the case of parents with multiple children).

Round 2. This section was not changed significantly for Round 2 of testing due to its acceptance by consumers in Round 1.

<table>
<thead>
<tr>
<th>Private Education Loan Disclosure - Approval</th>
<th>Page 1 of 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>This disclosure provides important information about the loan for which you have been approved. Please review this information closely to ensure that you understand the terms of your loan.</td>
<td></td>
</tr>
</tbody>
</table>

BORROWER: Christopher Smith Jr.  
1492 Columbus Way  
Plymouth, MA 02360

CREDITOR: First ABC Bank  
12345 1st St  
Anytown, CA 93120

Similar to Round 1, most consumers’ eyes were drawn immediately to the Rates section and the introduction was skipped. However, one consumer would like to have the phone number of the lender included with their contact information for convenience.
4.3.2.2. Rates Section of Approval Disclosure

The initial Rates and Loan Costs section was intended to clearly communicate the amount financed, annual percentage rate (APR), finance charge, total of payments, variable rate, maximum interest rate, and fees associated with the loan. In discussions on planning the design, these items were deemed to be interrelated. We also believed that key loan terms needed to be presented prominently and early.

Rates & Loan Costs

<table>
<thead>
<tr>
<th>Amount Financed</th>
<th>Annual Percentage Rate</th>
<th>Estimated Finance Charge</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>7.059%</td>
<td>$15,506.74</td>
<td>$25,506.74</td>
</tr>
</tbody>
</table>

YOUR RATE IS VARIABLE
This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 25% and will not increase more than once every calendar month.

LOAN FEES
There is no origination fee for this loan.

OPTION TO ITEMIZE AMOUNT FINANCED

- [ ] I want an itemization
- [ ] I do not want an itemization

Consumers liked the boxes across the top of this section with the Amount Financed through Total of Payments, as it laid out the loan step-by-step and made the cost of taking the loan clear. The boxes were also easy to read, provided the most important information about the loan, and drew consumers' attention through the layout.

Nearly all consumers understood that the “Amount Financed” in this example was the original loan amount. The “Annual Percentage Rate” caused some confusion as a few consumers wondered why the rate was lower than the bottom of the interest rate range provided on the Application & Solicitation Disclosure (7.375%), but this was not a common question as many did not notice the difference. Most understood the “Estimated Finance Charge” to be the interest charges over the life of the loan, and that the “Total of Payments” was the total amount they would pay over the life of the loan. There was a minority of financially unsophisticated students that were confused by the differences in the dollar amounts across the boxes, but information was clear to most consumers and the design worked well.

Your Rate is Variable
This paragraph caused a great deal of confusion among consumers and needed additional detail. Consumers wanted to know what would cause the interest rate to vary, as they were concerned the lender would change it without cause. The cap of 25% was also confusing, as one thought the rate would only hit 25% if they defaulted, while others assumed the lender would immediately start charging them the full 25%. The maximum interest rate disclosure is challenging to convey, as consumers are surprised by how high it is and tend to distrust the lender and the loan because of it. It appeared in Round 1 that more explanation about the cause of rate fluctuations was probably needed to alleviate their concerns.
Loan Fees
Several consumers were not familiar with the term "origination" and did not know what the fee represented. A definition needed to be included.

Option to Itemize Amount Financed
Most consumers did not know what information was being itemized. Some also thought that itemization should be included in all cases and not be an option.

Round 2. Given the comments from consumers in Round 1, the Rates section in Round 2 was redesigned with some notable changes. The APR and Estimated Finance Charge boxes were emphasized more. A new description under the "Total of Payments" was added in an effort to make its meaning clearer to consumers and distinguish it from "Estimated Finance Charge".

The "Your Rate is Variable" paragraph included new details of how the variable rate is calculated and that it is based on the LIBOR, independent of the lender, to alleviate consumers' concerns. This paragraph also bolded the maximum interest rate to make it more noticeable, and directed consumers to the next page for additional interest rate information since some consumers did not understand the footnote symbols on the initial version.

The information on itemization was placed in a table with dollar amounts to make it clearer that the intent was to disclose the individual costs of the loan. A definition of origination was also included. Finally, dollar amounts were added in the "Other Fees" section instead of having them in the reference notes.

The rates section in Round 2 continued to cause some confusion among consumers due to the interest rate information provided. Even so, most understood the loan information in the boxes across the top of this section, with the exception of one novice student who was not familiar with...
“estimated finance charges.” Some questioned the 7.059% APR when the initial interest rate range on the Application & Solicitation Disclosure started at 7.3%, similar to Round 1.

Your Rate Is Variable
Some consumers did not notice this paragraph at all in the revised disclosure, and asked how their rate would vary. Others were immediately confused by the description of LIBOR as the index that controls the variable interest rate. Many had no understanding of LIBOR or indexes, and some thought the margin of 3% would be added to their 7% APR. While consumers expressed a need to understand how and why the rate would vary in both rounds of testing, the paragraph needs to focus more simply on the fact that the rate can change, and that it will change only based on market factors outside the lenders’ control (i.e., the lender will not change the rate at will).

The maximum interest rate of 25% was clearer and more conspicuous on the disclosure, but some continued to believe that their behavior (e.g., payment history) could cause their rate to rise to the maximum rate.

Itemization of Amount Financed
This information was clearer with the changes implemented. The table clearly shows the fees as well as the loan amount, but some felt it was redundant if there were no fees and did not want it included on the disclosure in that case.

Other Fees
This revised section provided the necessary information to consumers.
4.3.2.3. Repayment Terms Section of Approval Disclosure

The initial Repayment Terms section was designed to communicate the monthly payments in school and after school over the life of the loan. The information in the testing was based on a $10,000 loan at a 7.375% initial interest rate. The disclosure is intended to show the cost of deferment and the total cost of the loan at the maximum interest rate. Another purpose of the section is to describe the types of payment options, penalties and late fees, and bankruptcy limitations. All of these items were grouped together because they were related to payments.

### Repayment Terms

This table shows the estimated monthly repayment amounts over the life of the loan with an initial interest rate of 7.375% and an initial principal amount of $10,000.¹

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>at 7.059% APR</td>
</tr>
<tr>
<td>4 years, 6 months</td>
<td>$0 (Deferred)</td>
</tr>
<tr>
<td>Sep 2009 – Feb 2014</td>
<td></td>
</tr>
<tr>
<td>19 years, 11 months</td>
<td>$106.28</td>
</tr>
<tr>
<td>Mar 2014 – Feb 2034</td>
<td></td>
</tr>
<tr>
<td>0 years, 1 month</td>
<td>$105.82</td>
</tr>
<tr>
<td>Mar 2034</td>
<td></td>
</tr>
</tbody>
</table>

**INTEREST & PAYMENT DEFERRAL OPTIONS**

You can choose:

- **Defer Principal and Interest**: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment.³

- **Immediate Interest Only (Defer Principal)**: Pay only interest while continuously enrolled in school or in medical residency.

- **Immediate Repayment of Principal and Interest**: Pay principal and interest in a fixed monthly amount.

**PENALTIES & LATE FEES**

- **Late Charges, Return Check Charges**:²

**BANKRUPTCY LIMITATIONS**

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.

In the first round of testing, most consumers did not notice the introductory sentence in this section that mentioned the principal of $10,000 and initial interest rate of 7.375%. The principal loan amount needed to be shown more prominently to make the Payment Schedule clearer. The distinction between the APR (in the Rates section) versus the initial interest rate shown here was difficult for consumers to understand, among those who noticed it. If both the APR and the interest rate are required to be included, and the APR is to be made more prominent than the interest rate on the disclosure it is arguable as to whether it is necessary to include the initial interest rate even this prominently, as it creates confusion and distrust.

The Payment Schedule was unclear to consumers, even though they liked the tabular format of the information. Some thought the rows of the table were options, not time periods over the life of the loan. The "in school" and "out of school" notation was confusing, and sometimes missed by consumers. Some novice students did not know what the term “deferred” meant, even after reading the descriptions under the table.
Those who understood the Payment Schedule still were not sure of the term or deferral option upon which the table was based. One suggestion was to show all three deferral options (defined below the table) and how the monthly payments are calculated for each option based on the two APRs shown. This would make it easier for consumers to compare the impact of the deferral options. Consumers also wondered if they would be able to change their deferral option at any point, since that information was not included. The start date for repayment also was not immediately noticeable to consumers, and some were still not sure when payments would actually start even when they noticed the dates.

The table needed to be re-worked to make it clearer to consumers the terms of the loan and how they calculate to the monthly payments over time. At this point in the process, a deferral option would have been chosen, so this needed to be clear to consumers. It may not be necessary or feasible to show all three deferral options with their payment options calculated.

Consumers understood the columns of the table based on the two APRs. They liked seeing both scenarios for the loan, at the introductory 7.059% APR and 25% maximum interest rate, because they thought it was information they should know. They liked the information to the right of the table and found it useful for similar reasons. However, some were not sure what the maximum interest rate was referring to in the table, perhaps because of its placement with the caret (↑). It needed to be more closely tied to the mention of the 25% maximum rate in the table.

Penalties and Late Fees
Similar to the Application & Solicitation Disclosure, some consumers would have liked to see the actual dollar amounts of the penalties and late fees in this section instead of in the reference notes.

Bankruptcy Limitations
Consumers praised the disclosure for including this information as it was not information most of them were aware of and they found it important to know. A few students ignored the information saying it was unnecessary, but this was a small minority.

Round 2. The Repayment Schedule and Terms included some significant changes in Round 2 of consumer testing based on the feedback in Round 1. The loan term was included in the table to highlight the 20 year term, and changes were made to make it clearer that the table was not providing options for payment, but a schedule from in-school deferment through payoff. The “About This Repayment Schedule” box was added to the right with bullets instead of carets. Deferment options were removed from this section and put in the Reference Notes, since it is assumed that the borrower chose to defer at this point in the process. In Round 2 of consumer testing, consumers were told to assume they had chosen to defer all payments until they were out of school and the Repayment section reflected this choice.
### Repayment Schedule & Terms

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Year Loan Term</td>
<td>at 7.059% APR</td>
</tr>
<tr>
<td></td>
<td>at 25% (maximum interest rate)</td>
</tr>
<tr>
<td><strong>Sep 2009 - Feb 2014</strong></td>
<td><strong>No payments required</strong></td>
</tr>
<tr>
<td>deferment period</td>
<td>You elected to defer (postpone)</td>
</tr>
<tr>
<td></td>
<td>payments during school</td>
</tr>
<tr>
<td><strong>Mar 2014 - Feb 2034</strong></td>
<td><strong>239 monthly payments</strong></td>
</tr>
<tr>
<td></td>
<td>$106.28</td>
</tr>
<tr>
<td></td>
<td>$445.87</td>
</tr>
<tr>
<td><strong>Mar 2034</strong></td>
<td><strong>1 monthly payment</strong></td>
</tr>
<tr>
<td></td>
<td>$105.82</td>
</tr>
<tr>
<td></td>
<td>$452.76</td>
</tr>
</tbody>
</table>

**About This Repayment Schedule**

- The **Maximum Interest Rate** represents the most you could possibly pay based upon variation with interest rate. The Total Amount for Repayment at the Maximum Rate of Interest would be **$107,015.69**.
- Because payments are deferred (postponed) while in school, **$3,318.75** will accrue in interest during this time and be added to the principal (original loan amount).

**Bankruptcy Limitations**

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.

Overall, consumers liked how the new Repayment Schedule section was presented. They appreciated the tabular format and the chronological payment schedule. They understood it was a schedule, and not options.

However, the columns that differentiated the two rates were not clear to a few consumers and needed to be differentiated further. They did not understand why there were two different payments because they did not notice the interest rates at the top of the columns. One consumer who did see the columns thought it should also say “IF” it rises to the 25% maximum rate in the column header.

A few consumers wanted the day of the month included with the month/year in the schedule so it is clear exactly when their payments are due.

**About this Repayment Schedule**

This information was well received in the box on the right, as it was clearer to consumers that it included additional, and less critical, information about the schedule. Some did not notice or read it.

Some consumers wanted the information on the maximum interest rate more closely tied to the column header it describes. And, there were a few questions about how the total payments and accrued interest related to the monthly payments, but this was less critical of an issue.

**Bankruptcy Limitations**

There were no changes made to this statement for Round 2, and it was clear and useful to consumers.
4.3.2.4. Federal Loan Options Section of Approval Disclosure

At the top of the second page of the initial Approval Disclosure, information was provided on Federal loan options. The purpose was to make sure consumers were aware (and/or remind them) of these loans after they are given their private loan offer and before they accept it. Many consumers do not feel they can adequately compare loans at the Application & Solicitation phase, so if they decide to shop at this point, they will be reminded of these alternatives. This section is identical to the one in the Application & Solicitation Disclosure.

Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
<th>FEDERAL FINANCIAL ASSISTANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
<td>You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at <a href="http://www.ed.gov">www.ed.gov</a>. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
<td></td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
<td></td>
</tr>
</tbody>
</table>

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE

Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

Some consumers found this information useful to be included again, but others believed it was redundant with the Application & Solicitation Disclosure. However, those who felt it was redundant did not adamantly oppose keeping the information on the Approval Disclosure since it was on the second page and not taking away from the critical private loan information. Given the importance of this information to the least savvy borrowers, it is critical to keep this information on the disclosure for the next round of testing to gain more conclusive evidence on the usefulness of the information to consumers.

Round 2. The Federal Loan Alternatives information was included again in Round 2 on the Approval Disclosure since it was not problematic to consumers in Round 1 and was important information to include for novice borrowers. This section was identical to the similar section on the Application & Solicitation Disclosure.
Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school's financial aid office about these options before proceeding.

### FEDERAL LOAN PROGRAMS

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
<th>ABOUT FEDERAL LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
<td>You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school's financial aid office or the Department of Education at <a href="http://www.ed.gov">www.ed.gov</a>. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
<td></td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
<td></td>
</tr>
</tbody>
</table>

The majority of consumers in Round 2 also felt this information was useful to include on the Approval Disclosure.

4.3.2.5. **Next Steps & Terms of Acceptance Section of Approval Disclosure**

The Next Steps and Terms of Acceptance section is intended to make it clear to consumers they have 30 days to accept the loan as stated in the Approval Disclosure, how they can accept the loan, and remind them to consider Federal loan options.

### Next Steps & Terms of Acceptance

This offer is good until:

**January 21, 2009**

After January 21, 2009, we may change the terms of this offer or we may decline to offer you credit.

THE TERMS OF THIS OFFER ARE GOOD FOR 30 DAYS FROM THE APPROVAL DATE OF 12/20/2008.

You have 30 days from the approval date to accept or reject this offer. The terms of this offer will not change, except that the variable interest rate may change based on adjustments to the index used to calculate the variable rate. If you wish to accept the terms you may contact us at:

First ABC Bank  
12345 1st St  
Anytown, CA 93120

YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION.

Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov.

In Round 1, this section, combined with the previous section on Federal loan options, effectively informed consumers of their potential next steps. Consumers who were surprised by the private education loan costs said they would investigate their Federal loan options as their next step. However, if the private loan was their best option, they understood they needed to accept it by January 21, 2009 by contacting the bank. They would like a phone number or website for the bank included with the contact information.
Round 2. In Round 2, the Next Steps and Terms of Acceptance section was similar to the same section tested in Round 1, as there was little confusion among consumers. However, the order of the next steps was changed to direct consumers first to Federal loan alternatives. This was done so that the section would flow from the previous section, as well as to highlight in bold where to investigate Federal loans. The second step included directions to accept the loan, including adding a phone number to the lender’s contact information.

**Next Steps & Terms of Acceptance**

<table>
<thead>
<tr>
<th>This offer is good until:</th>
<th>1. Find Out More About Other Education Financing Options.</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 21, 2009</td>
<td>Some schools have school-specific student loan benefits and terms not detailed on this form. Contact your school's financial aid office or visit the Department of Education's website at <a href="http://www.ed.gov">www.ed.gov</a> to obtain more detailed information about the alternative financing options available to you.</td>
</tr>
</tbody>
</table>

After January 21, 2009, we may change the terms of this offer or we may decline to offer you credit.

2. The Terms of this Loan Offer Are Good for 30 days.

   You have 30 days from the approval date to accept or reject this offer. The terms of this offer will not change, except that the variable interest rate may change based on adjustments to the index used to calculate the variable rate. If you wish to accept the terms you may contact us at:

   First ABC Bank
   12345 1st St
   Anytown, CA 93120
   (800) 555 - 5555

For some consumers, step 1 was redundant with the previous section on Federal loan alternatives. The rest of the information was clear and consumers liked the layout, particularly the large box around the date of expiration of the offer.

4.3.2.5. Reference Notes Section of Approval Disclosure

The Reference Notes in the initial Approval Disclosure were designed to provide additional information and detail required in the disclosure. On the deferral option chosen for the example in the Payment Schedule on the first page, the notes provided details of how the variable interest rate works, a definition of capitalized interest, and the details of the late charges and penalties.

**REFERENCE NOTES**

1. Example assumes borrower does not pay principal or interest while in school for 4 years and has a 6 month grace period before beginning repayment.
2. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest being added to the balance of your loan. Example: If you borrow $10,000 for 20 years at 7.00% interest on January 1, and the interest rate increase to 8.00% on February 1, your payment for the month beginning February 1 would increase by $610. The interest rate is determined using the London Inter-Bank Offered Rate (LIBOR) Index. For calculating the variable interest rates, we will use the daily average 1-month LIBOR rate calculated by the British Bankers’ Association and published by the Moneyline Telerate on the last business day of the preceding calendar month.
3. Interest that is added to your outstanding principal balance is called "capitalized" interest. Capitalized interest will be treated as principal, and interest will then accrue on the new principal balance.
4. Late charge: If a monthly payment is more than 15 days late, you will be charged a late fee equal to 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: If any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a return check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the return check charge as well as the value of the check, draft, or other item.
Based on consumer reactions in Round 1, all of this information, except for reference 3 about capitalized interest, needed to be included with the relevant information on the first page of the form. Reference note 1 was a question asked by consumers when discussing the Payment Schedule, as they did not know which deferral option the table was based on. Several asked (or assumed incorrectly) how the variable interest rate varied. And, consumers wanted to know the dollar amounts of the fees.

Capitalized interest is a difficult concept that some consumers still do not understand even after reading the description in the reference notes. This information may not be useful to include for consumers.

Round 2. In Round 2 of testing, the Reference Notes section was reconfigured to provide general information that did not have to be prominently placed on the disclosure. Many of the items referenced as footnotes in the first version were moved to the first page of the disclosure to be near the items to which they pertained. The Reference Notes section was changed from a footnote style to a bulleted format, as consumers were confused by the footnotes. In the revised version, one note included details of the variable interest rate that were confusing in Round 1 of testing and less critical to the loan. The second note explained the repayment options.

**REFERENCE NOTES**

- **Variable Interest Rate:**
  - Your current Interest Rate is 7.375%. This rate may be higher or lower than your Annual Percentage Rate because the Annual Percentage Rate is calculated based upon not only the Interest Rate, but also certain fees you must pay to obtain this loan and whether you defer (postpone) payments while in school.
  - There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will never exceed 23%. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest.

- **Repayment Options:** Although you elected to defer (postpone) payments, you can still make payments during this time. You can also choose to change your deferment choice to: Pay Interest Only—Pay only interest while continuously enrolled in school (any late or returned check fees incurred will be added to the balance of the loan). Pay Interest and Principal—Pay principal and interest in a monthly amount while enrolled in school.

Several consumers did not notice the Reference Notes or read them. Of those who did, the mention of the interest rate of 7.375% confused them, when the APR on the first page of the disclosure cited 7.0% as the rate. A few said both interest rates should be under the Rates section on the first page; however, when they were both on the first page in the initial disclosure the two rates were confusing. If both rates are required to be included, and the APR is to be made more prominent than the interest rate, the Reference Notes may be the best placement for the interest rate.

Most did not pay much attention to the second bullet under Variable Interest Rates. One who read it all the way through thought it was useful information to have on the form and the Reference Notes is good placement for it.

Most liked having the information on Repayment Options in the Reference Notes. They liked knowing what their options were and that they could change their option. This is a better placement for this information.
4.4. Final Disclosure

The Final Disclosure was the third and final disclosure shown to consumers. It was presented in testing as the disclosure that borrowers receive when they have accepted the loan and are closing it. It is nearly identical to the Approval Disclosure except for two differences. The introductory information at the top of the disclosure was replaced with the Right to Cancel information provided in a prominent box intended to immediately grab borrowers’ attention. Secondly, the Final Disclosure did not include information about Next Steps, because at the point of receiving this form, consumers would have completed the loan process.

4.4.1. General Impressions of the Final Disclosure

In the first round of testing, the initial Final Disclosure worked well for consumers. All believed they had the information they needed to determine if they were getting a good loan deal. Most felt the disclosure was clear about how the loan would affect them in the future and the right information was highlighted.

<table>
<thead>
<tr>
<th>Final Disclosure: Round 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/your child in future?</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
</tr>
</tbody>
</table>

The initial Final Disclosure was easy to use in evaluating a private loan. Consumers believed the organization of the form was “somewhat easy”, as well as the readability and language and terminology.

<table>
<thead>
<tr>
<th>Average Rating - among 10 participants -</th>
</tr>
</thead>
<tbody>
<tr>
<td>How easy is form to use in evaluating private loan?</td>
</tr>
<tr>
<td>What about the organization of the form? How easy is it to follow?</td>
</tr>
<tr>
<td>How easy is it to read the information printed on this form?</td>
</tr>
<tr>
<td>Is the language/terminology clear and understandable?</td>
</tr>
</tbody>
</table>

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”
With the changes implemented after Round 1 of testing, the Final Disclosure improved slightly. More consumers believed the form was clear in how the loan would affect them in the future and that the important information was highlighted.

<table>
<thead>
<tr>
<th>Final Disclosure: Round 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you tell if the loan is a good deal or not by using the form?</td>
<td>9 of 10 said “yes”</td>
</tr>
<tr>
<td>Can you tell how taking loan will affect you/your child in future?</td>
<td>10 of 10 said “yes”</td>
</tr>
<tr>
<td>Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
<td>10 of 10 said “yes”</td>
</tr>
</tbody>
</table>

The organization of the disclosure, readability and language/terminology also improved with the changes implemented in Round 2. The overall ease of use of the form remained high.

| How easy is form to use in evaluating private loan?                                      | 3½ star |
| What about the organization of the form? How easy is it to follow?                        | 4 stars  |
| How easy is it to read the information printed on this form?                             | 4 stars  |
| Is the language/terminology clear and understandable?                                    | 4 stars  |

Note: 4 Stars = “Very Easy”; 3 Stars = “Somewhat Easy”; 2 Stars = “Somewhat Hard”; 1 Star = “Very Hard”

4.4.2. Reactions to Detailed Elements

4.4.2.1. Right to Cancel Information Section of Final Disclosure

The Right to Cancel information provided at the top of the disclosure was intended to draw immediate attention to the borrower’s three-day right to cancel the loan, as well as the procedure for cancelling.
Most noticed the information in the box immediately and liked that it was the first item provided on the disclosure. A few wondered why the Right to Cancel information was not provided on the second page of the disclosure below “Other Options for Financing Education” where the “Next Steps” section appeared on the first two disclosures. However, the vast majority liked its placement, and it clearly grabbed readers’ attention, which was the purpose of its placement here.

Some wanted more information about the “three business days in writing” condition and how it would be determined. Consumers wondered if the three days meant a postmark date or if the written cancellation would need to arrive within three days.

Round 2. In Round 2 of testing, no changes were made to the design or content of the Right to Cancel information since it was well received by consumers.

As in Round 1, most consumers in Round 2 saw and acknowledged the information about the Right to Cancel, and similar questions and suggestions were voiced. Some consumers pointed out that the font in the box was smaller than all other fonts on the page, and would like it larger for readability if there is room on the page.

Another person suggested providing a notice about the right to cancel in its current location, but also providing more detail on the second page under the Federal Loan Alternatives section (where Next Steps was on the first two disclosures). It was more apparent in Round 2 of consumer testing that some consumers were focused on the information provided in the “Loan Rates & Estimated Total Costs” section which appeared directly below this section. By including the Right the Cancel information on the second page, it would give those consumers who missed it when directing their attention to the rate information a chance to see the cancellation clause.

There was still some confusion about the “three days to cancel” and how those would be determined, so this should be addressed. A few also asked for a fax number to be provided, if cancelling via fax is acceptable.

4.4.2.2. Federal Loan Options Section of Final Disclosure

As indicated in the discussion on the Application & Solicitation and the Approval disclosures, the “Other Options for Financing Education” section was designed to clearly communicate Federal Financial Assistance options that should be considered, the interest rates available on Federal financial aid and where to get information about these options.
Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

Federal Financial Assistance

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

School-Specific Financial Assistance

Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

In Round 1 of testing, consumers viewed this section as redundant and unnecessary at this stage. Most noted that because the information is provided on the two previous disclosures, there is no need to provide it a third time. At the point of consummating the loan, most also felt that they would be past the point of looking at these alternatives because they would have already explored those options.

Round 2. In Round 2 of testing, the updates made to the “Federal Loan Alternatives” section were identical to those specified for the Application & Solicitation and the Approval disclosures.

Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school's financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>7.9% Federal Direct Loan</td>
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</tbody>
</table>

About Federal Loans

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school's financial aid office or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

As in Round 1, most consumers found the information redundant and unnecessary for the same reasons. Consideration should be given to omitting it from the Final Disclosure.
5. Appendix
5.1. Private Education Loan Disclosures: Model Form Designs for Round 1 of Testing

Private Education Loan Disclosure - Application & Solicitation

This disclosure provides important information about available loans. Please review this information closely to ensure you understand the terms and options available for financing your education.

CREDITOR:
First ABC Bank
12345 1st St
Anytown, CA 93120

Rates

Current range of available initial rates:

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.375%</td>
<td>17.375%</td>
</tr>
</tbody>
</table>

HOW YOUR SPECIFIC RATE IS DETERMINED

• Rates will be determined based upon a variety of factors including school type and borrower and cosigner (if applicable) credit history.

YOUR RATE IS VARIABLE

This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 25%. The rate will not increase more than once every calendar month.

LOAN FEES
Origination fees range from 0% to 6%.

ELIGIBILITY

To qualify for a private education loan, you must meet certain criteria.

Repayment Terms

Estimated loan term:

<table>
<thead>
<tr>
<th>Less than $20,000</th>
<th>More than $20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years</td>
<td>30 years</td>
</tr>
<tr>
<td>0 months</td>
<td>1 month</td>
</tr>
</tbody>
</table>

INTEREST & PAYMENT DEFERRAL OPTIONS

You can choose from the following repayment options. Interest continues to accrue during deferment and will be added to the principal balance of your loan upon entering repayment.

• Defer Principal and Interest: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment.

• Immediate Interest Only (Defer Principal): Pay only interest while continuously enrolled in school or in medical residency.

• Immediate Repayment of Principal and Interest: Pay principal and interest in a fixed monthly amount.

Cost Estimates

Example of total costs over the life of the loan

<table>
<thead>
<tr>
<th>Example: $10,000 loan at 17.375%</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN-SCHOOL REPAYMENT OPTION</td>
</tr>
<tr>
<td>Defer Principal &amp; Interest</td>
</tr>
<tr>
<td>Pay interest, Defer Principal</td>
</tr>
<tr>
<td>Pay Principal &amp; Interest</td>
</tr>
</tbody>
</table>

Example: $10,000 loan at 7.375%
Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

FEDERAL FINANCIAL ASSISTANCE
You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These programs include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE
Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

Next Steps

There are several actions you can take at this point, depending upon your specific situation and current status.

YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION.
Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov.

IF YOU CHOOSE TO APPLY FOR THE PRIVATE LOAN, YOU WILL NEED TO COMPLETE THE SCHOOL CERTIFICATION FORM.
This form may be obtained by contacting your school's financial aid office. Note that the terms of the private loan are available 60 days from approval date (terms will not change during this period).

REFERENCE NOTES

1 Eligibility requirements:
   - Borrower: Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.
   - Must be the age of majority at the time of loan application.
   - Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer, co-signer must be a U.S. citizen or permanent resident, and the student borrower can be a U.S. citizen, U.S. permanent resident, or Legal Alien.
   - Student borrower must provide a copy of an unexpired government-issued ID.
   - Co-signer: Must be the age of majority at the time of loan application.
   - Must be a U.S. citizen or U.S. permanent resident.
   - Must be a valid U.S. nonimmigrant status.
   - Co-signer must provide a copy of an unexpired government-issued ID.
   - Borrowers & Co-signers: There can be no record of a bankruptcy.
   - There can be no record of a current student loan delinquency.
   - Aggregate student loan debt for the Student borrower (including both private and government guaranteed plus amount financed) cannot exceed the aggregate limit for the program under which the customer is applying. The aggregate limit does not apply to the co-signer.

2 Interest that is added to your outstanding principal balance is called "capitalized" interest. Capitalized interest will then accrue on the new principal balance.

3 Late charge: If a monthly payment is more than 15 days late, you will be charged a late fee equal to 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: If any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a return check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the return check charge as well as the value of the check, draft, or other item.
Private Education Loan Disclosure - Approval

BORROWER: Christopher Smith Jr.  
1492 Columbus Way  
Plymouth, MA 02360  

CREDITOR: First ABC Bank  
12345 1st St  
Anytown, CA 90120

This disclosure provides important information about the loan for which you have been approved. Please review this information closely to ensure you understand the terms and options available for financing your education.

Rates & Loan Costs

Your initial annual percentage rate and estimated total repayment amount. 1

<table>
<thead>
<tr>
<th>Amount Financed</th>
<th>Annual Percentage Rate</th>
<th>Estimated Finance Charge</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>7.059%</td>
<td>$15,506.74</td>
<td>$25,506.74</td>
</tr>
</tbody>
</table>

The amount of credit provided to you or on your behalf. The cost of your credit as a yearly rate. The dollar amount the credit will cost you. Estimated total after all payments.

YOUR RATE IS VARIABLE

This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 25% and will not increase more than once every calendar month. 2

LOAN FEES

There is no origination fee for this loan.

OPTION TO ITEMIZE AMOUNT FINANCED

☐ I want an itemization
☐ I do not want an itemization

Repayment Terms

This table shows the estimated monthly repayment amounts over the life of the loan with an initial interest rate of 7.375% and an initial principal amount of $10,000. 1

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>at 7.059% APR</td>
</tr>
<tr>
<td>4 years, 6 months</td>
<td>$0 (Deferred)</td>
</tr>
<tr>
<td>19 years, 11 months</td>
<td>$106.28</td>
</tr>
<tr>
<td>0 years, 1 month</td>
<td>$105.82</td>
</tr>
</tbody>
</table>

INTEREST & PAYMENT DEFERRAL OPTIONS

You can choose:

• Defer Principal and Interest: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment. 3
• Immediate Interest Only (Defer Principal): Pay only interest while continuously enrolled in school or in medical residency.
• Immediate Repayment of Principal and Interest: Pay principal and interest in a fixed monthly amount.

PENALTIES & LATE FEES

Late Charges, Return Check Charges  4

BANKRUPTCY LIMITATIONS

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.
Private Education Loan Disclosure - Approval

Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
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</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

FEDERAL FINANCIAL ASSISTANCE
You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These programs include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE
Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

Next Steps & Terms of Acceptance

This offer is good until:

**January 21, 2009**

After January 21, 2009, we may change the terms of this offer or we may decline to offer you credit.

THE TERMS OF THIS OFFER ARE GOOD FOR 30 DAYS FROM THE APPROVAL DATE OF 12/20/2008.
You have 30 days from the approval date to accept or reject this offer. The terms of this offer will not change, except that the variable interest rate may change based on adjustments to the index used to calculate the variable rate. If you wish to accept the terms you may contact us at:

First ABC Bank
12345 1st St
Anytown, CA 93120

YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION.
Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov.

REFERENCE NOTES

1. Example assumes borrower does not pay principal or interest while in school for 4 years and has a 6 month grace period before beginning repayment.
2. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest being added to the balance of your loan. Example: if you borrow $10,000 for 20 years at 7.00% interest on January 1, and the interest rate increase to 8.00% on February 1, your payment for the month beginning February 1 would increase by $6.10. The interest rate is determined using the London Inter-Bank Offered Rate (LIBOR) index. For calculating the variable interest rates, we will use the daily average 1-month LIBOR rate calculated by the British Bankers' Association and published by the Moneyline Telerate on the last business day of the preceding calendar month.
3. Interest that is added to your outstanding principal balance is called "capitalized" interest. Capitalized interest will be treated as principal, and interest will then accrue on the new principal balance.
4. Late charge: if a monthly payment is more than 15 days late, you will be charged a late fee equal to 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: if any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a return check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the return check charge as well as the value of the check, draft, or other item.
## RIGHT TO CANCEL

You have a legal right under federal law to cancel this transaction, without cost, within three business days from the date of this transaction, which is January 20, 2009. During these three days no funds will be disbursed to you or your school. If you decide to cancel this transaction, you may do so by notifying us in writing at 12345 1st St., Anytown, CA 90120.

## Rates & Loan Costs

Your initial annual percentage rate and estimated total repayment amount. ¹

<table>
<thead>
<tr>
<th>Amount Financed</th>
<th>Annual Percentage Rate</th>
<th>Estimated Finance Charge</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>7.059%</td>
<td>$15,506.74</td>
<td>$25,506.74</td>
</tr>
</tbody>
</table>

The amount of credit provided to you or on your behalf. The cost of your credit as a yearly rate. The dollar amount the credit will cost you. Estimated total after all payments.

## Repayment Terms

This table shows the estimated monthly repayment amounts over the life of the loan with an initial interest rate of 7.375% and an initial principal amount of $10,000. ¹

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>at 7.059% APR</td>
</tr>
<tr>
<td>4 years, 6 months</td>
<td>$0 (Deferred)</td>
</tr>
<tr>
<td>Sep 2009 – Feb 2014</td>
<td></td>
</tr>
<tr>
<td>19 years, 11 months</td>
<td>$106.82</td>
</tr>
<tr>
<td>Mar 2014 – Feb 2034</td>
<td></td>
</tr>
<tr>
<td>0 years, 1 month</td>
<td>$106.82</td>
</tr>
<tr>
<td>Mar 2004</td>
<td></td>
</tr>
</tbody>
</table>

### INTEREST & PAYMENT DEFERRAL OPTIONS

You can choose:

- **Deferred Principal and Interest**: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment. ³
- **Immediate Interest Only (Defer Principal)**: Pay only interest while continuously enrolled in school or in medical residency.
- **Immediate Repayment of Principal and Interest**: Pay principal and interest in a fixed monthly amount.

### PENALTIES & LATE FEES

Late Charges, Return Check Charges ⁴

### BANKRUPTCY LIMITATIONS

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.

---

¹ Identical to form on page 47 (PDF page 50), except small differences in text positioning, one missing comma, and a different first paragraph, as follows:

² The Maximum Interest Rate represents the most you could possibly pay based upon variation with interest rate.

³ Though payments are deferred while in school. Some other fees will accrue in interest during this time.

⁴ Estimated total after all payments.

⁵ Estimated total after all payments.
Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

FEDERAL FINANCIAL ASSISTANCE
You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE
Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

REFERENCE NOTES

1. Example assumes borrower does not pay principal or interest while in school for 4 years and has a 6-month grace period before beginning repayment.

2. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest being added to the balance of your loan. Example: if you borrow $10,000 for 20 years at 7.00% interest on January 1, and the interest rate increase to 8.00% on February 1, your payment for the month beginning February 1 would increase by $6.10. The interest rate is determined using the London Inter-Bank Offered Rate (LIBOR) index. For calculating the variable interest rates, we will use the daily average 1-month LIBOR rate calculated by the British Bankers' Association and published by the Moneyline Teletel on the last business day of the preceding calendar month.

3. Interest that is added to your outstanding principal balance is called "capitalized" interest. Capitalized interest will be treated as principal, and interest will then accrue on the new principal balance.

4. Late charge: if a monthly payment is more than 15 days late, you will be charged a late fee equal to 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: if any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a return check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the return check charge as well as the value of the check, draft, or other item.
### Rates

Current range of available initial rates:

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.5%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

**HOW YOUR SPECIFIC RATE IS DETERMINED**

- Rates will be determined based upon a variety of factors including school type and borrower and co-borrower's credit history.
- Rates are typically lower when a co-borrower is included.

**YOUR RATE IS VARIABLE**

This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 26%. The rate will not increase more than once every calendar month.

### Repayment Terms

Estimated loan term:

| Less than $20,000 | 25 years, 0 months |
| More than $20,000 | 30 years, 0 months |

**INTEREST & PAYMENT DEFERRAL OPTIONS**

You can choose from the following repayment options. Interest continues to accrue during deferment and will be added to the principal balance of your loan upon entering repayment.

- **Defer Principal and Interest**: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferment period to the outstanding principal balance of your loan when you start repayment.
- **Immediate Interest Only (Defer Principal)**: Pay only interest while continuously enrolled in school or in medical residency.
- **Immediate Repayment of Principal and Interest**: Pay principal and interest in a fixed monthly amount.

### Cost Estimates

**Example of total costs over the life of the loan**

This example shows the total cost of the loan over the life of the loan under each option for deferred payment. It assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.

The interest rate used in this example is the maximum rate currently available. Because this interest rate is variable, the actual rate could go higher. There is no limit on the amount that the rate could increase at one time, but the interest rate will not exceed 26%.

**Example: $10,000 loan at 15.5%**

<table>
<thead>
<tr>
<th>In-School Repayment Option</th>
<th>Finance Charges</th>
<th>Total for Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defer Principal &amp; Interest</td>
<td>$57,196.24</td>
<td>$67,196.24</td>
</tr>
<tr>
<td>Pay Interest, Defer Principal</td>
<td>$30,582.14</td>
<td>$40,582.14</td>
</tr>
<tr>
<td>Pay Principal &amp; Interest</td>
<td>$29,607.29</td>
<td>$39,607.29</td>
</tr>
</tbody>
</table>
Other Options for Financing Education
You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

FEDERAL FINANCIAL ASSISTANCE
You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP), and Federal Direct Loan Program (FDLP). See table for rates.

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE
Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

Next Steps
There are several actions you can take at this point, depending upon your specific situation and current status.

YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION.
Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov.

IF YOU CHOOSE TO APPLY FOR THE PRIVATE LOAN, YOU WILL NEED TO COMPLETE THE SCHOOL CERTIFICATION FORM.
This form may be obtained by contacting your school's financial aid office. Note that the terms of the private loan are available 30 days from approval date (terms will not change during this period).

REFERENCE NOTES
1 Eligibility requirements
Borrower
- Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.
- Must be the age of majority at the time of loan application.
- Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer co-signer must be a U.S. citizen or permanent resident, and the student borrower can be a U.S. citizen, U.S. permanent resident, or Legal Alien.
- Student borrower must provide a copy of an unexpired government-issued ID.

Co-signers
- Must be the age of majority at the time of loan application.
- Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid BOS nonimmigrant status.
- Co-signer must provide a copy of an unexpired government-issued ID.

Borrowers & Co-signers
- There can be no record of a bankruptcy.
- There can be no record of a current student loan delinquency.
- Aggregate student loan debt for the Student borrower (including both private and government guaranteed debt amount financed) cannot exceed the aggregate limit for the program under which the customer is applying. The aggregate limit does not apply to the co-signer.

School Requirements
- Must be Title IV eligible and located in the United States, Canada or U.S. Territories and approved by Bank.
- Must not be under any Department of Education sanctions related to financial administrative or loan performance.
- Must be in compliance with all applicable federal and state laws.
- Must be a degree-granting school.
- Total number of loans in repayment (from cohort default rate) in the past 5 years must be no more than 100 in the aggregate.
- Stand-alone Chiropractic schools are excluded.

2 Interest that is added to your outstanding principal balance is called "capitalized" interest. Capitalized interest will be added to principal, and interest will then accrue on the new principal balance.

3 Late charge: if a monthly payment is more than 15 days late, you will be charged a late fee equal to 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: if any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a return check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the return check charge as well as the value of the check, draft, or other item.
Private Education Loan Disclosure - Application & Solicitation

This disclosure provides important information about available loans. Please review this information closely to ensure you understand the terms and options available for financing your education.

CREDITOR:
First ABC Bank
12345 1st St
Anytown, CA 93120

Rates

Current range of available initial rates:

<table>
<thead>
<tr>
<th>from</th>
<th>to</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.45%</td>
<td>9.25%</td>
</tr>
</tbody>
</table>

HOW YOUR SPECIFIC RATE IS DETERMINED

• Rates will be determined based upon a variety of factors including school type and borrower and co-borrower (if applicable) credit history.
• Rates are typically lower when a co-borrower is included.

YOUR RATE IS VARIABLE

This loan has a variable rate of interest. This means that the interest rate may increase during the term of this transaction. There is no limit to the amount that the interest rate may increase at one time. The interest rate will not exceed 252%. The rate will not increase more than once every calendar month.

Loan Fees

Origination fees range from 0% to 6%. To qualify for a private education loan, you must meet certain criteria. 1

Repayment Terms

Estimated loan term:

| less than $20,000 | 25 years, 0 months |
| more than $20,000 | 30 years, 0 months |

INTEREST & PAYMENT DEFERRAL OPTIONS

You can choose from the following repayment options. Interest continues to accrue during deferral and will be added to the principal balance of your loan upon entering repayment.

• Defer Principal and Interest: Make no payments while continuously enrolled in school or in medical residency. We will add all unpaid accrued interest during the deferral period to the outstanding principal balance of your loan when you start repayment. 2
• Immediate Interest Only (Defer Principal): Pay only interest while continuously enrolled in school or in medical residency.
• Immediate Repayment of Principal and Interest: Pay principal and interest in a fixed monthly amount.

Cost Estimates

Example of total costs over the life of the loan

The interest rate used in this example is the maximum rate currently available. Because this interest rate is variable, the actual rate could go higher. There is no limit on the amount that the rate could increase at one time, but the interest rate will not exceed 252%

IN-SCHOOL REPAYMENT OPTION

Example: $10,000 loan at 9.25%

<table>
<thead>
<tr>
<th>IN-SCHOOL REPAYMENT OPTION</th>
<th>FINANCE CHARGES</th>
<th>TOTAL FOR REPAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defer Principal &amp; Interest</td>
<td>$20,381.44</td>
<td>$30,381.44</td>
</tr>
<tr>
<td>Pay interest, Defer Principal</td>
<td>$19,852.51</td>
<td>$29,852.51</td>
</tr>
<tr>
<td>Pay Principal &amp; Interest</td>
<td>$15,690.01</td>
<td>$25,690.01</td>
</tr>
</tbody>
</table>
Other Options for Financing Education

You may be eligible for alternative sources of funds to finance your education:

<table>
<thead>
<tr>
<th>FEDERAL LOAN</th>
<th>CURRENT FIXED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUG</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

FEDERAL FINANCIAL ASSISTANCE

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP), and Federal Direct Loan Program (FDLP). See table for rates.

SCHOOL-SPECIFIC FINANCIAL ASSISTANCE

Your school may have school-specific student loan benefits and terms not detailed on this form. For more details, contact your financial aid office.

Next Steps

There are several actions you can take at this point, depending upon your specific situation and current status.

YOU MAY OBTAIN ADDITIONAL INFORMATION ABOUT ALTERNATIVE OPTIONS FOR FINANCING YOUR EDUCATION.

Contact your school’s financial aid office or visit the Department of Education’s website at www.ed.gov.

IF YOU CHOOSE TO APPLY FOR THE PRIVATE LOAN, YOU WILL NEED TO COMPLETE THE SCHOOL CERTIFICATION FORM.

This form may be obtained by contacting your school’s financial aid office. Note that the terms of the private loan are available 30 days from approval date (terms will not change during this period).

REFERENCE NOTES

1 Eligibility requirements:
- Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.
- Must be the age of majority at the time of loan application.
- Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer, the co-signer must be a U.S. citizen or permanent resident, the student borrower can be a U.S. citizen, U.S. permanent resident, or Legal Alien.
- Student borrower must provide a copy of an unexpired government-issued ID.

Co-signers:
- Must be the age of majority at the time of loan application.
- Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid Social Security number.

- Co-signer must provide a copy of an unexpired government-issued ID.

Borrowers & Co-signers:
- There can be no record of a bankruptcy.
- There can be no record of a current student loan delinquency.
- Aggregate student loan debt for the student borrower (including both private and government guaranteed and unsubsidized) cannot exceed the aggregate limit for the program under which the customer is applying. The aggregate limit does not apply to the co-signer.

School Requirements:
- Must be Title IV eligible and located in the United States, Canada, or U.S. Territories and approved by Bank.
- Must not be under any Department of Education sanctions related to financial, administrative, or loan performance.
- Must be in compliance with all applicable federal and state laws.
- Must be a degree-granting school.
- Total number of loans in repayment (from cohort default rate) in the past 3 years must be more than 100 in the aggregate.
- Stand-alone Chiropractic schools are excluded.

2 Interest that is added to your outstanding principal balance is called “capitalized” interest. Capitalized interest will be treated as principal, and interest will then accrue on the new principal balance.

3 Late charge: If a monthly payment is more than 15 days late, you will be charged a late fee equal to 4% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: If any check, draft or other item you send in payment of your loan is returned unpaid for any reason, we may charge you a returned check charge of $25, or such lesser amount as allowed by applicable law. You are responsible for paying the returned check charge as well as the interest on the check, draft, or other item.
5.2. Private Education Loan Disclosures: Model Form Designs for Round 2 of Testing

Private Education Loan Disclosure - Application & Solicitation

This disclosure provides important information about our available education loans. Please review this information closely to ensure you understand the terms and options available to you.

CREDITOR:
First ABC Bank
12345 1st St
Anytown, CA 93120

Rates & Loan Terms

Current range of available initial Interest Rates:

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.375%</td>
<td>17.375%</td>
</tr>
</tbody>
</table>

Term of Loan:

| Amounts less than $20,000 | 20 years |
| Amounts more than $20,000 | 30 years, 1 month |

HOW YOUR INITIAL RATE WILL BE DETERMINED

- Your actual initial rate (from within this range) will be determined based upon factors including borrower and co-signer credit history, and school type (such as graduate, undergraduate, vocational, medical).
- A co-signer is not required, but rates are typically lower when a co-signer is included.
- This loan has a variable rate of interest. A variable rate means that your actual rate could go higher or lower than the rates indicated as the Current Range of Available Initial Interest Rates. There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will never exceed 25%.

FEES

- A $15 fee is required to apply for this loan with First ABC Bank.
- The fee that the lender charges to make this loan (commonly referred to as the “Origination Fee”) will range from 0% to 6%.
- Late Charge: 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: up to $25.

Repayment Options & Sample Costs

Three (3) payment options are available to you.

<table>
<thead>
<tr>
<th>In-School Repayment Options</th>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Loan Costs (finance charge)</th>
<th>Total for repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MAKE FULL PAYMENTS</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$25,886.96</td>
<td>$35,886.96</td>
</tr>
<tr>
<td>2. PAY THE INTEREST ONLY</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$33,705.71</td>
<td>$43,705.71</td>
</tr>
<tr>
<td>3. DEFER (Postpone) ALL PAYMENTS</td>
<td>$10,000.00</td>
<td>17.375%</td>
<td>$53,947.67</td>
<td>$63,947.67</td>
</tr>
</tbody>
</table>

About this example

- The interest rate used in this example is the highest initial interest rate currently available.
- Because the interest rate is variable, the actual rate could go lower or higher over the life of the loan, but will never exceed the maximum rate of 25%.
- This example assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.
Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school's financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

ABOUT FEDERAL LOANS

You may qualify for federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school's financial aid office or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

Next Steps

You can take several actions at this point, depending upon your specific situation.

1. Find Out More About Other Education Financing Options.

Some schools have school-specific student loan benefits and terms not outlined on this form. Contact your school's financial aid office or visit the Department of Education's website at www.ed.gov to obtain more detailed information about the alternative loan options available to you.

2. If You Choose to Apply for this Private Loan, Complete and Sign the School Certification Form and Return It to Us.

You may obtain this certification form from your school's financial aid office. Note that the terms of the private loan are available 30 days from approval date (terms will not change during this period, except that the variable interest rate may change based on adjustments to the index).

GENERAL ELIGIBILITY REQUIREMENTS

Borrower
• Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.
• Must be 18 years or older at the time of loan application.
• Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer (co-signer must be a U.S. citizen or permanent resident), the student borrower can be a U.S. citizen, U.S. permanent resident, or legal alien.

Co-signers
• Must be 18 years or older at the time of loan application.
• Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid BBG non-immigrant status.

Borrowers & Co-signers
• There can be no record of a bankruptcy.
• There can be no record of a current student loan delinquency.

More information about loan eligibility is available in your loan application and promissory note.
Private Education Loan Disclosure - Approval

This disclosure provides important information about the loan for which you have been approved. Please review this information closely to ensure that you understand the terms of your loan.

BORROWER: Christopher Smith Jr.
1492 Columbus Way
Plymouth, MA 02360

CREDITOR: First ABC Bank
12345 1st St
Aintown, CA 93120

Loan Rates & Estimated Total Costs

<table>
<thead>
<tr>
<th>Amount Financed</th>
<th>Annual Percentage Rate</th>
<th>Estimated Finance Charge</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000.00</td>
<td>7.059%</td>
<td>$15,506.74</td>
<td>$25,506.74</td>
</tr>
</tbody>
</table>

The amount of credit provided to you or on your behalf.
The cost of your credit as a yearly rate.
The dollar amount the credit will cost you.
The estimated amount you will have paid when you have made all payments.

YOUR RATE IS VARIABLE

This is a variable interest rate, calculated using a publicly available index, the London Interbank Offered Rate (LIBOR). Your rate is calculated each month by adding a margin of 3% to the LIBOR. A variable rate means that your actual rate could be higher or lower than the Annual Percentage Rate indicated on this form, but will never exceed a maximum of 25%. For more information, see note on next page.

ITEMIZATION OF AMOUNT FINANCED

| Loan Amount | $10,000.00 |
| Lender Fee to make the loan (Origination Fee) | $0.00 |
| Total Amount Financed | $10,000.00 |

OTHER FEES

• Late Charge: 5% of the amount of the past due payment, or $25, whichever is greater.
• Returned check charge: up to $25.

Repayment Schedule & Terms

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNTS</th>
<th>About This Repayment Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Year Loan Term</td>
<td>at 7.059% APR</td>
<td>at 25% (maximum interest rate)</td>
</tr>
<tr>
<td>Sep 2009 - Feb 2014</td>
<td>No payments required</td>
<td>The Maximum Interest Rate represents the most you could possibly pay based upon variation with interest rate. The Total Amount for Repayment at the Maximum Rate of interest would be $107,015.60</td>
</tr>
<tr>
<td>Mar 2014 - Feb 2034</td>
<td>$106.28</td>
<td>$445.87</td>
</tr>
<tr>
<td>339 monthly payments</td>
<td></td>
<td>Because payments are deferred (postponed) while in school, $3,310.75 will accrue in interest during this time and be added to the principal (original loan amount).</td>
</tr>
<tr>
<td>Mar 2034</td>
<td>$105.82</td>
<td>$452.76</td>
</tr>
<tr>
<td>1 monthly payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BANKRUPTCY LIMITATIONS

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.
Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school's financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

ABOUT FEDERAL LOANS

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school's financial aid office or the Department of Education at www.ed.gov. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

Next Steps & Terms of Acceptance

This offer is good until:

January 21, 2009

After January 21, 2009, we may change the terms of this offer or we may decline to offer you credit.

1. Find Out More About Other Education Financing Options.

Some schools have school-specific student loan benefits and terms not detailed on this form. Contact your school's financial aid office or visit the Department of Education's web site at www.ed.gov to obtain more detailed information about the alternative financing options available to you.

2. The Terms of this Loan Offer Are Good for 30 days.

You have 30 days from the approval date to accept or reject this offer. The terms of this offer will not change, except that the variable interest rate may change based on adjustments to the index used to calculate the variable rate. If you wish to accept the terms, you may contact us at:

First ABC Bank
12345 1st St
Anytown, CA 93120
(800) 555 - 5555

REFERENCE NOTES

Variable Interest Rate:

- Your current interest rate is 7.375%. This rate may be higher or lower than your Annual Percentage Rate because the Annual Percentage Rate is calculated based upon not only the interest rate, but also certain fees you must pay to obtain this loan and whether you defer (postpone) payments while in school.
- There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will never exceed 25%. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest being added to the balance of your loan. Example: If you borrow $10,000 for 30 years at 7.00% interest on January 1, and the interest rate increased to 8.00% on February 1, your payment for the month beginning February 1 would increase by $8.10. For calculating the variable interest rates, we will use the daily average 1-month LIBOR rate calculated by the British Bankers' Association and published by the Moneyline Telerate on the last business day of the preceding calendar month plus your margin of 3%.

Repayment Options: Although you elected to defer (postpone) payments, you can still make payments during this time. You can also choose to change your deferment choice to: Pay Interest Only—Pay only interest while continuously enrolled in school (any late or returned check fees incurred will be added to the balance of the loan). Pay Interest and Principal—Pay principal and interest in a monthly amount while enrolled in school.
Private Education Loan Disclosure - Consummation

Note: Identical to form on page 57 (PDF page 60), except small differences in text positioning, and a different first paragraph, as follows. Also, the first paragraph matches the first paragraph on page 49 (PDF page 52).

**RIGHT TO CANCEL**

You have a legal right under federal law to cancel this transaction, without cost, within three business days from the date of this transaction, which is January 20, 2009. During these three days no funds will be disbursed to you or to your school. If you decide to cancel this transaction, you may do so by notifying us in writing at 12345 1st St., Anytown, CA 93120.

**BORROWER:**
Christopher Smith Jr.
1492 Columbus Way
Plymouth, MA 02360

**CREDITOR:**
First ABC Bank
1245 1st St
Anytown, CA 93120

**Loan Rates & Estimated Total Costs**

<table>
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<th>Amount Financed</th>
<th>Annual Percentage Rate</th>
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<tbody>
<tr>
<td>$10,000.00</td>
<td>7.059%</td>
<td>$15,506.74</td>
<td>$25,506.74</td>
</tr>
</tbody>
</table>

- The amount of credit provided to you or on your behalf.
- The cost of your credit as a yearly rate.
- The dollar amount the credit will cost you.
- The estimated amount you will have paid when you have made all payments.

**YOUR RATE IS VARIABLE**

This is a variable interest rate, calculated using a publicly available index, the London Interbank Offered Rate (LIBOR). Your rate is calculated each month by adding a margin of 9% to the LIBOR. A variable rate means that your actual rate could be higher or lower than the Annual Percentage Rate indicated on this form, but will never exceed a maximum of 26%. For more information, see note on next page.

**ITEMIZATION OF AMOUNT FINANCED**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$10,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender Fee to make the loan (Origination Fee)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Total Amount Financed</td>
<td>$10,000.00</td>
</tr>
</tbody>
</table>

**OTHER FEES**

- Late Charges: 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: up to $25.

**Repayment Schedule & Terms**

<table>
<thead>
<tr>
<th>PAYMENT SCHEDULE</th>
<th>MONTHLY PAYMENT AMOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Year Loan Term</td>
<td>at 7.059% APR at 26% (maximum interest rate)</td>
</tr>
<tr>
<td>Sep 2000 - Feb 2014</td>
<td>No payments required if you elect to defer (postpone) payments during school</td>
</tr>
<tr>
<td>Mar 2014 - Feb 2034</td>
<td>$106.28 $445.87</td>
</tr>
<tr>
<td>236 monthly payments</td>
<td></td>
</tr>
<tr>
<td>Mar 2034</td>
<td>$105.82 $452.76</td>
</tr>
<tr>
<td>1 monthly payment</td>
<td></td>
</tr>
</tbody>
</table>

**BANKRUPTCY LIMITATIONS**

Student loans are more difficult to discharge in bankruptcy than other types of unsecured debts. This means that if you file for bankruptcy you may still be required to pay back this loan.
Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school's financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate, 6.8% Graduate</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan, 7.9% Federal Direct Loan</td>
</tr>
</tbody>
</table>

ABOUT FEDERAL LOANS

You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school's financial aid office or the Department of Education at www.ed.gov. These programs include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.

REFERENCE NOTES

Variable Interest Rate:

- Your current interest rate is 7.375%. This rate may be either higher or lower than your Annual Percentage Rate because the Annual Percentage Rate is calculated based upon not only the interest rate, but also certain fees you must pay to obtain this loan and whether you defer (postpone) payments while in school.
- There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will never exceed 25%. Any increase will take the form of higher monthly payment amounts or accrued unpaid interest being added to the balance of your loan. Example: If you borrow $10,000 for 20 years at 7.00% interest on January 1, and the interest rate increased to 8.00% on February 1, your payment for the month beginning February 1 would increase by $8.10. For calculating the variable interest rates, we will use the daily average 1-month Libor rate calculated by the British Bankers Association and published by the Moneyline Telerate on the last business day of the preceding calendar month plus your margin of 3%.

Repayment Options: Although you elected to defer (postpone) payments, you can still make payments during this time. You can also choose to change your deferment choice to: Pay Interest Only—Pay only interest while continuously enrolled in school. Any late or returned check fees incurred will be added to the balance of the loan. Pay Interest and Principal—Pay principal and interest in a monthly amount while enrolled in school.
### Rates & Loan Terms

**Current range of available initial Interest Rates:**

- **from 5.5% to 15.5%**

**Term of Loan:**

- **amounts less than $20,000:** 25 years
- **amounts more than $20,000:** 30 years

**HOW YOUR INITIAL RATE WILL BE DETERMINED**

- Your actual initial rate (from within this range) will be determined based upon factors including borrower and co-signer credit history, and school type (such as graduate, undergraduate, vocational, medical).
- A co-signer is not required, but rates are typically lower when a co-signer is included.

**THIS RATE IS VARIABLE**

- This loan has a variable rate of interest. A variable rate means that your actual rate could go higher or lower than the rates indicated as the “Current Range of Available Initial Interest Rates”. There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will **never exceed 25%**.

**FEES**

- A $15 fee is required to apply for this loan with First ABC Bank.
- The fee that the lender charges to make this loan (commonly referred to as the “Origination Fee”) will range from 0% to 6%.
- **Late Charge:** 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: up to $25.

### Repayment Options & Sample Costs

Three (3) payment options are available to you.

<table>
<thead>
<tr>
<th>In-School Repayment Options</th>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Loan Costs (finance charge)</th>
<th>Total for repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. MAKE FULL PAYMENTS</strong></td>
<td>$10,000.00</td>
<td>15.5%</td>
<td>$29,607.35</td>
<td>$39,607.35</td>
</tr>
<tr>
<td>Pay principal (original loan amount) and interest in a monthly amount while enrolled in school.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. PAY THE INTEREST ONLY</strong></td>
<td>$10,000.00</td>
<td>15.5%</td>
<td>$36,582.36</td>
<td>$46,582.36</td>
</tr>
<tr>
<td>Pay only interest while enrolled in school (any late or returned check fees incurred will be added to the balance of the loan).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. DEFER (Postpone) ALL PAYMENTS</strong></td>
<td>$10,000.00</td>
<td>15.5%</td>
<td>$57,106.00</td>
<td>$67,106.00</td>
</tr>
<tr>
<td>Make no payments while continuously enrolled in school. All unpaid accrued interest during this time will be added to the outstanding principal balance of your loan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Federal Loan Alternatives

Other types of loans may be available to you through the Federal government. You may contact your school’s financial aid office about these options before proceeding.

<table>
<thead>
<tr>
<th>FEDERAL LOAN PROGRAM</th>
<th>CURRENT INTEREST RATES (All Have Fixed Interest Rates)</th>
<th>ABOUT FEDERAL LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5%</td>
<td>You may qualify for Federal education loans instead of, or in addition to, a private education loan. For additional information, contact your school’s financial aid office or the Department of Education at <a href="http://www.ed.gov">www.ed.gov</a>. These program loans include loans made under the Federal Perkins Loan Program, Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP). See table for rates.</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>6% Undergraduate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.8% Graduate</td>
<td></td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>PLUS</td>
<td>8.5% Federal Family Education Loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.9% Federal Direct Loan</td>
<td></td>
</tr>
</tbody>
</table>

Next Steps

You can take several actions at this point, depending upon your specific situation.

1. Find Out More About Other Education Financing Options.
   Some schools have school-specific student loan benefits and terms not detailed on this form. Contact your school’s financial aid office or visit the Department of Education’s website at www.ed.gov to obtain more detailed information about the alternative financing options available to you.

2. If You Choose to Apply for this Private Loan, Complete and Sign the School Certification Form and Return It to Us.
   You may obtain this certification form from your school’s financial aid office. Note that the terms of the private loan are available 90 days from approval date (terms will not change during this period, except that the variable interest rate may change based on adjustments to the index).

GENERAL ELIGIBILITY REQUIREMENTS

Borrower
* Must be enrolled at an eligible school at least half-time for the loan period applicable to the loan request.
* Must be 18 years or older at the time of loan application.
* Must be a U.S. citizen or U.S. permanent resident if applying without a co-signer. If applying with a co-signer (co-signer must be a U.S. citizen or permanent resident), the student borrower can be a U.S. citizen, U.S. permanent resident, or legal alien.

Co-signers
* Must be 18 years or older at the time of loan application.
* Must be a U.S. citizen or U.S. permanent resident. If there are multiple co-signers, at least one must be a U.S. citizen or U.S. permanent resident, and all others must have a valid Social Security non-immigrant status.

Borrowers & Co-signers
* There can be no record of a bankruptcy.
* There can be no record of a current student loan delinquency.

More information about loan eligibility is available in your loan application and promissory note.
Private Education Loan Disclosure - Application & Solicitation

This disclosure provides important information about our available education loans. Please review this information closely to ensure you understand the terms and options available to you.

**Rates & Loan Terms**

Current range of available *initial* Interest Rates:

<table>
<thead>
<tr>
<th>Range</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.45%</td>
<td>to</td>
</tr>
<tr>
<td>9.25%</td>
<td></td>
</tr>
</tbody>
</table>

**HOW YOUR INITIAL RATE WILL BE DETERMINED**

- Your actual initial rate (from within this range) will be determined based upon factors including borrower and co-signer credit history, and school type (such as graduate, undergraduate, vocational, medical).
- A co-signer is not required, but rates are typically lower when a co-signer is included.

**Term of Loan:**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than $20,000</td>
<td>25 years</td>
</tr>
<tr>
<td>more than $20,000</td>
<td>30 years</td>
</tr>
</tbody>
</table>

**THIS RATE IS VARIABLE**

- This loan has a variable rate of interest. A variable rate means that your actual rate could go higher or lower than the rates indicated as the "Current Range of Available Initial Interest Rates". There is no limit on the amount that the rate could increase at one time but the rate will not increase more than once every calendar month and will *never exceed 25%*.

**FEES**

- A $15 fee is required to apply for this loan with First ABC Bank.
- The fee that the lender charges to make this loan (commonly referred to as the "Origination Fee") will range from 0% to 6%.
- Late Charge: 5% of the amount of the past due payment, or $25, whichever is greater. Returned check charge: up to $25.

**Repayment Options & Sample Costs**

Three (3) payment options are available to you.

<table>
<thead>
<tr>
<th>In-School Repayment Options</th>
<th>Loan amount</th>
<th>Interest rate</th>
<th>Loan Costs (finance charge)</th>
<th>Total for repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MAKE FULL PAYMENTS</td>
<td>$10,000.00</td>
<td>9.25%</td>
<td>$19,852.51</td>
<td>$29,852.51</td>
</tr>
<tr>
<td>Pay principal (original loan amount) and interest in a monthly amount while enrolled in school.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. PAY THE INTEREST ONLY</td>
<td>$10,000.00</td>
<td>9.25%</td>
<td>$26,381.44</td>
<td>$36,381.44</td>
</tr>
<tr>
<td>Pay only interest while enrolled in school (any late or returned check fees incurred will be added to the balance of the loan).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. DEFER (Postpone) ALL PAYMENTS</td>
<td>$10,000.00</td>
<td>9.25%</td>
<td>$15,690.01</td>
<td>$25,690.01</td>
</tr>
<tr>
<td>Make no payments while continuously enrolled in school. All unpaid accrued interest during this time will be added to the outstanding principal balance of your loan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**About this example**

- The interest rate used in this example is the highest initial interest rate currently available.
- Because this interest rate is variable, the actual rate could go lower or higher over the life of the loan, but will *never exceed the maximum rate of 25%*.
- This example assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.
This disclosure provides important information about our available education loans. Please review this information closely to ensure you understand the terms and options available to you.

Rates & Loan Terms

Current range of available initial Interest Rates:

| from | 6.45% | to | 9.25% |

HOW YOUR INITIAL RATE WILL BE DETERMINED

- Your actual initial rate (from within this range) will be determined based upon factors including borrower and co-signer credit history, and school type (such as graduate, undergraduate, vocational, medical).

- A co-signer is not required, but rates are typically lower when a co-signer is included.

THIS RATE IS VARIABLE

- This loan has a variable rate of interest. A variable rate means that your actual rate could go higher or lower than the rates indicated as the “Current Range of Available Initial Interest Rates”. There is no limit on the amount that the rate could increase at one time, but the rate will not increase more than once every calendar month and will never exceed 25%.

FEES

- A $15 fee is required to apply for this loan with First ABC Bank.

- The fee that the lender charges to make this loan (commonly referred to as the “Origination Fee”) will range from 0% to 6%.

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Repayment Options & Sample Costs

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<td>1. MAKE FULL PAYMENTS</td>
<td>$10,000.00</td>
<td>6.45%</td>
<td>$15,890.01</td>
<td>$25,890.01</td>
</tr>
<tr>
<td>Pay principal (original loan amount) and interest in a monthly amount while enrolled in school.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 2. PAY THE INTEREST ONLY    | $10,000.00  | 6.45%         | $19,852.51 | $29,852.51          |
| Pay only interest while enrolled in school (any late or returned check fees incurred will be added to the balance of the loan). |

| 3. DEFER (Postpone) ALL PAYMENTS | $10,000.00  | 6.45%         | $20,381.44 | $30,381.44          |
| Make no payments while continuously enrolled in school. All unpaid accrued interest during this time will be added to the outstanding principal balance of your loan. |

About this example

- The interest rate used in this example is the highest initial interest rate currently available.

- Because this interest rate is variable, the actual rate could go lower or higher over the life of the loan, but will never exceed the maximum rate of 25%.

- This example assumes that the borrower remains in school for four years and has a 6 month grace period before beginning repayment.
5.3. In-Depth Interview Recruiting Screener

Consumer Research and Testing for Private Education Loans
– IN-DEPTH INTERVIEW RECRUITING SCREENER –
(FINAL: 11/14/08)

INSTRUCTIONS

Locations, Dates and Times:

Fairfax, VA: December 2nd and 4th.
Baltimore, MD: December 16th and 17th.

Recruit 14 for 10 to show per city as follows:
- Fairfax, VA: 7 slots per day, 1.5 hours each from 11am-9:30pm. No floaters.
- Baltimore, MD: 5 slots per day, 1.5 hours each from 2pm-9:30pm. Recruit 2 floaters per day.

Key Quotas (per city, out of 14 recruits):
- 7 parents and 7 college students
  - Try to get 2 sets of parents-students from the same family (interviewed separately) but no more than that
- 7 with private education loans, 7 who anticipate a need for private loans during their (child’s) education
- Minimum of 5 private colleges; minimum of 5 public colleges
  - No more than 4 from any one college
- Minimum of 4 independent students; minimum of 8 dependent students
- Minimum of 10 full-time students
- Minimum of 4 grad students; minimum of 4 undergrads
- Parents only: Minimum of 2 with incomes of <$50k
- Minimum of 5 females and 5 males

IMPORTANT: During recruiting, fax screeners to 703.757.5208 by noon each day for review by the Rockbridge project manager.

If you run into problems meeting the specs, please call us so we can discuss a solution. We recommend you hold onto screeners of terminates in case we need to call them back and invite them. If you have questions, please call Mariel Molina at 703.757.5213 ext.20, mmolina@rockresearch.com.
SCREENER

INTERVIEWER INITIAL:_______

Hello, may I speak to ______________ [USE FULL NAME FROM CLIENT LIST/DATABASE]. This is (RECRUITER’S FULL NAME) and I’m calling from ______________, a local marketing research firm.

We are conducting research on the process of paying for college and would like to get your feedback. Let me assure you that we are not trying to sell you anything, and all of the information gathered will be confidential.

1. Are there any individuals attending college in your household?

   1   Yes
   2   No   [TERMINATE]

2. What is your relationship to this individual?

   1   Parent or Legal Guardian   [RECRUIT 7]
   2   Self   [RECRUIT 7]
   3   Brother/Sister [ASK TO SPEAK TO PARENT/GUARDIAN/STUDENT]
   4   Other [ASK TO SPEAK TO PARENT/GUARDIAN/STUDENT]

2A. [PARENTS ONLY:] Do you have more than one child attending college?

   1   Yes   [READ 2B]
   2   No   [SKIP TO Q3]

2B. [PARENTS WHO HAVE MORE THAN ONE COLLEGE STUDENT ONLY:] For the rest of my questions, please refer to your oldest child in college. What is this child’s first name?

   ______________

   INTERVIEWER: IF THIS CHILD DOES NOT QUALIFY THE PARENT, RE-SCREEN ASKING ABOUT ANOTHER CHILD THE PARENT HAS. BE SURE TO RECORD FIRST NAME OF QUALIFYING CHILD IN Q2B.

3. ([PARENT:]Is the student)/([STUDENT:]Are you) currently enrolled in a college or university?

   1   Yes
   2   No   [TERMINATE]
4. ([PARENT:] Is the student)/( [STUDENT:] Are you) a U.S. citizen or permanent resident?
   1   Yes
   2   No  [TERMINATE]

[***IMPORTANT***
RECRUITER: BEFORE GOING FORWARD DETERMINE IF RESPONDENT IS COMFORTABLE SPEAKING AND UNDERSTANDS ENGLISH WELL, IF NOT – PLEASE TERMINATE]

5. What type of school ([PARENT:] does the student) /([STUDENT:] do you) attend? RECORD ALL THAT APPLY
   1  2-year community college  [TERMINATE]
   2  4-year college or university as an undergraduate student [MINIMUM OF 4]
   3  Graduate or Professional school [MINIMUM OF 4]
   4  Proprietary or for-profit school (e.g., University of Phoenix, Strayer University, ITT Technical Institute, etc.)
   5  Other: please specify __________________________ [TERMINATE]

[MUST BE 2, 3 OR 4 TO CONTINUE; OTHERWISE TERMINATE].

6. ([PARENT:] Does the student)/( [STUDENT:] Do you) attend a public or private college or university?
   1  Public  [MINIMUM OF 5]
   2  Private  [MINIMUM OF 5]
   3  [DO NOT READ] NOT SURE [TERMINATE]

6A. What is the name of the college or university?  [NO MORE THAN 4 FROM SAME SCHOOL]

________________________________________________________________________

7. ([PARENT:] Does the student)/( [STUDENT:] Do you) attend college…?
   1  Full-time  [MINIMUM OF 10]
   2  or Part-time
   3  [DO NOT READ] NOT SURE [TERMINATE]

8. Which of the following best describes your level of involvement in the financial planning for ([PARENT:] your student's/[STUDENT:] your) college education?
   1  I am the person primarily responsible for figuring out how to pay for college
   2  I am one of the people primarily responsible for figuring out how to pay for college
   3  I am somewhat involved in figuring out how to pay for college
   4  I am not involved in figuring out how to pay for college [TERMINATE IF PARENT; TERMINATE IF STUDENT IS NOT PART OF PARENT-STUDENT PAIRING (SAME FAMILY)]
   5  Not sure [TERMINATE]
9. Please think about the expected total higher education costs not covered by grants or scholarships, including tuition, room, board, fees, books, transportation, etc. for ([PARENT:] this child’s)/([STUDENT:] your) education. Approximately, what percentage will eventually be paid by parents, student, student’s spouse, student’s employer, and other family members?

a. ________ % paid by parents
b. ________ % paid by student
c. ________ % paid by student’s spouse
d. ________ % paid by student’s employer
e. ________ % paid by other family members

________ [SUM MUST EQUAL 100%]

[IF A AND E = 0 (ZERO), QUALIFY FOR INDEPENDENT STUDENT; MINIMUM OF 4 INDEPENDENT STUDENTS]

[IF A AND/OR E ARE GREATER THAN 0, QUALIFY AS DEPENDENT STUDENT; MINIMUM OF 8 DEPENDENT STUDENTS]

10. Which types of education loans, if any, ([PARENT:] does your student)/([STUDENT:] do you) have? RECORD ALL THAT APPLY.

1  Federal student loan, like a Stafford loan, which is a government backed education loan
2  Student Private education loan, a non-government loan offered by a financial institution, like a bank or credit union [MINIMUM OF 7; SKIP TO Q12]
3  Not sure [TERMINATE]
4  None of the above

11. [ASK ONLY IF Q10 NOT EQUAL TO 2 (NO PRIVATE EDUCATION LOANS)] Do you think you will need to apply for a private education loan, or a non-government loan offered by a financial institution, like a bank or credit union, to help pay for college?

1  Yes [MINIMUM OF 7]
2  No [TERMINATE]
3  Don’t know [TERMINATE]

12. How much do you think you might need to borrow in total, across all loan types, by the time ([PARENT:] your child)/([STUDENT:] you) completes their higher education?

1  Less than $10,000 [TERMINATE IF NO PRIVATE LOANS IN Q10]
2  $10,000 to less than $25,000 [TERMINATE IF NO PRIVATE LOANS IN Q10]
3  $25,000 to less than $50,000
4  $50,000 to less than $75,000
5  $75,000 to less than $100,000
6  $100,000 or more
7  I don’t know
13. [DO NOT ASK] Record gender.
   1  Male  [MINIMUM OF 5]
   2  Female  [MINIMUM OF 5]

14. [PARENTS ONLY:] What is your current total annual household income, before taxes?
   1  Under $25,000
   2  $25,000 to less than $50,000
   3  $50,000 to less than $75,000
   4  $75,000 to less than $100,000
   5  $100,000 to less than $150,000
   6  $150,000 to less than $200,000
   7  $200,000 or more
   [MINIMUM OF 2 WITH LESS THAN $50,000]

15. What is the highest degree ([PARENT:]your student)/( [STUDENT:]you) anticipate(s) completing?
   1  Associates
   2  Bachelors
   3  Masters
   4  PhD
   5  Other

16. Based on (your student's)/(your) studies or intended studies, what is ([PARENT:]your student's)/( [STUDENT:]you) planned career path? (PROBE IF NECESSARY: What type of job (does your student)/(do you) plan to have when ([PARENT:]your student)/( [STUDENT:]you) leave(s) school?

   __________________________________________________________

17. What is your age? [RECORD]
   ___________ YEARS OLD

18. Have you attended a focus group or in-person market research interview in the past 6 months?
   1  YES
   2  NO

19. [ASK IF Q18 = 1] How many have you attended in the past 6 months?
   _____  [IF 3 OR GREATER, TERMINATE]
20. [ASK IF Q18 = 1] Were any on a financial services topic?
   1 YES [TERMINATE]
   2 NO

21. On (day/time), we will be holding market research individual interviews with ([PARENT:]parents of college students)/( [STUDENT:]college students) like you to talk about your needs in planning and paying for college, and we would like to invite you to participate.

The interview will be held at our facility in (Fairfax / Baltimore). The session will last approximately 90 minutes. In appreciation of your time, you will be given $100 at the end of the interview.

I want to stress that the purpose of the interview is strictly for market research. We are not selling anything. Our purpose is to write a report on how to better meet the needs of families in planning and paying for college. Would you like to participate?
   1 Yes [SCHEDULE DAY/TIME, GET NAME AND CONTACT INFORMATION & SKIP TO Q23]
   2 No

22. [ASK IF Q21=1] I'm sorry to hear that. Why is it you won't be able to come?
[PROBE FOR REASON AND RECORD. MAKE SURE RESPONDENT UNDERSTANDS WE ARE NOT SELLING ANYTHING.]

REASON: ____________________________________________

[SKIP TO THANK YOU]

23. [ASK IF Q10=2, OTHERWISE SKIP TO THANK YOU] We would also like to ask you to bring in the loan documents of the most recent Private Educational Loans ([PARENT:]your student)/( [STUDENT:]you) got, if they are handy. Please be assured that everything discussed during the interview is strictly confidential and the documents will only be used to discuss your previous experience with the private loan process. Do you think you’ll be able to bring those in?
   1 Yes
   2 No

RECRUIT INFORMATION:

<table>
<thead>
<tr>
<th>PARTICIPANT</th>
<th>RECRUITED</th>
<th>CONFIRMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
<td>By:</td>
<td>By:</td>
</tr>
<tr>
<td>Phone:</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Email:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your time!
RECORD AFTER SCREENER IS COMPLETE (FOR USE BY MODERATOR DURING IDI):

### PARENT

<table>
<thead>
<tr>
<th>Name of Qualifying Child (Q2B)</th>
<th>Type of School (Q5) CIRCLE ONE:</th>
<th>School Status (Q6) CIRCLE ONE:</th>
<th>Private Loan Status (Q10) CIRCLE ONE:</th>
<th>Total Amt Will Borrow (Q12)</th>
<th>Highest Degree Anticipated (Q15)</th>
<th>Career Path (Q16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-yr Undergrad</td>
<td>Public</td>
<td>Have Private Loans</td>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate</td>
<td>Private</td>
<td>Do Not</td>
<td>Bachelors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proprietary</td>
<td></td>
<td></td>
<td>Masters</td>
<td></td>
<td></td>
<td>PhD</td>
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</tbody>
</table>

### STUDENT

<table>
<thead>
<tr>
<th>Type of School (Q5) CIRCLE ONE:</th>
<th>School Status (Q6) CIRCLE ONE:</th>
<th>Type of Student (Q9) CIRCLE ONE:</th>
<th>Private Loan Status (Q10) CIRCLE ONE:</th>
<th>Total Amt Will Borrow (Q12)</th>
<th>Highest Degree Anticipated (Q15)</th>
<th>Career Path (Q16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-yr Undergrad</td>
<td>Public</td>
<td>Independent</td>
<td>Have Private Loans</td>
<td>Associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate</td>
<td>Private</td>
<td>Dependent</td>
<td>Do Not</td>
<td>Bachelors</td>
<td></td>
<td>PhD</td>
</tr>
<tr>
<td>Proprietary</td>
<td></td>
<td></td>
<td></td>
<td>Masters</td>
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</tbody>
</table>
5.4. In-Depth Interview Intake Survey

Consumer Research and Testing for Private Education Loans
– IN-DEPTH INTERVIEW INTAKE SURVEY –
(FINAL VERSION: 11/24/08)

Students/Graduates

Respondent Number (facility write-in): ______________

Instructions: Thank you for participating in this important study on education loans. This study will be valuable in creating better information to help families understand the higher education loans they are considering. Before we interview you, we ask that you answer a few questions that will help our researcher understand your background.

All of the information is for research purposes and will be kept strictly confidential.

1. Including you, how many children in your immediate family are: (Write in # below, counting yourself and siblings)
   ________ College Bound High school Junior or Senior
   ________ Currently enrolled in undergraduate college program
   ________ Currently enrolled in a graduate or professional program
   ________ Formerly attended college, but not currently enrolled
   ________ Other

2. Are you currently enrolled in a college or proprietary school?
   1 YES
   2 NO – I HAVE GRADUATED
   3 NO – I LEFT SCHOOL WITHOUT GRADUATING

3. IF STILL IN COLLEGE: When do you expect to graduate from this program?
   1 Fall Semester 2008
   2 Spring 2009
   3 Fall Semester 2009
   4 2010
   5 2011
   6 2012
   7 2013
   8 Other (Please indicate year) __________
4. **IF STILL IN COLLEGE:** What degree do you expect when you graduate?
   1. Associate (2 year) degree
   2. Bachelors (4 year) degree
   3. Masters
   4. Doctorate
   5. Professional Degree: Please Specify_________
   6. Certificate (post-four year degree)
   7. Other: Please Specify______________

5. What is the highest degree that you now have?
   1. Associate (2 year) degree
   2. Bachelors (4 year) degree
   3. Masters
   4. Doctorate
   5. Professional Degree: Please Specify_________
   6. Certificate (post-four year degree)
   7. Other degree/certificate: Please Specify____________
   8. No degree or certificate

6. Do you plan on continuing your higher education in the next few years after graduation?
   1. YES
   2. NO

7. Do you have any private higher education loans? (By private, we are referring to loans that are specifically intended for your higher education and are not part of a Federal loan program through the Department of Education).
   1. YES
   2. NO

8. **IF YOU HAVE PRIVATE LOANS:** About how many private education loans have you taken out so far? (Your best guess is fine)
   [Note: if you have consolidated these into a single loan, please count the number before consolidation.]
   ____________ LOANS
9. **IF YOU HAVE PRIVATE LOANS**: With whom do you currently have private education loans?

[Three blank lines]

10. **IF YOU HAVE PRIVATE LOANS**: Approximately how much is the total balance for the private education loans you have taken out so far? (Your best guess is fine)

1 Under $10,000
2 $10,000 - $24,999
3 $25,000 - $49,999
4 $50,000 - $74,999
5 $75,000 - $99,999
6 $100,000 or more

11. **IF YOU HAVE PRIVATE LOANS**: What share of these loans is co-signed by your parents?

1 All are cosigned
2 Some are, some are not
3 None – all are in my name

12. **IF YOU HAVE PRIVATE LOANS**: When was the last time you took out a private education loan?

1 Fall Semester 2008
2 Spring Semester 2008
3 Last year
4 Two years ago
5 More than 2 years ago

13. **IF YOU HAVE PRIVATE LOANS**: Have you consolidated any of your private education loans?

1 Yes
2 No

Thank you!
Parents

Respondent Number (facility write-in): ________________

Instructions: Thank you for participating in this important study on education loans. This study will be valuable in creating better information to help families understand the higher education loans they are considering. Before we interview you, we ask that you answer a few questions that will help our researcher understand your background.

All of the information is for research purposes and will be kept strictly confidential.

1. How many of your children are: (Write in # below for all children over which you have guardianship or who you assist financially)

   _______ College Bound High school Junior or Senior
   _______ Currently enrolled in undergraduate college program
   _______ Currently enrolled in a graduate or professional program
   _______ Formerly attended college, but not currently enrolled
   _______ Other

The following questions are about a specific child who we identified when we invited you to this interview.

His/her name is: ________________

IF BLANK, PLEASE ASK THE HOST FOR HELP.

2. Is this child currently enrolled in a college or proprietary school?

   1   YES
   2   NO – THE CHILD HAS GRADUATED
   3   NO – THE CHILD LEFT COLLEGE WITHOUT GRADUATING
3. IF YOUR CHILD IS STILL IN COLLEGE: When do you expect your son or daughter to graduate from this program?

1. Fall Semester 2008
2. Spring 2009
3. Fall Semester 2009
4. 2010
5. 2011
6. 2012
7. 2013
8. Other (Please indicate year) __________

4. IF YOUR CHILD IS STILL IN COLLEGE: What degree do you expect your daughter or son to have upon graduation?

1. Associate (2 year) degree
2. Bachelors (4 year) degree
3. Masters
4. Doctorate
5. Professional Degree: Please Specify________
6. Certificate (post-four year degree)
7. Other: Please Specify________

5. What is the highest degree that this child now has?

1. Associate (2 year) degree
2. Bachelors (4 year) degree
3. Masters
4. Doctorate
5. Professional Degree: Please Specify________
6. Certificate (post-four year degree)
7. Other: Please Specify________
8. No degree or certificate yet

6. Does your son or daughter plan on continuing their higher education in the next year or two after graduation?

1. YES
2. NO
7. Does your child have any private higher education loans? (By private, we are referring to loans that are specifically intended for higher education and are not part of a Federal loan program through the Department of Education).

1 YES
2 NO

8. IF CHILD HAS PRIVATE LOANS: About how many private education loans has your daughter or son taken out so far? (Your best guess is fine)
[Note: if your child has consolidated these into a single loan, please count the number before consolidation.]

_________ LOANS

9. IF YOUR CHILD HAS PRIVATE LOANS: With whom does your child currently have private education loans?

____________________
____________________
____________________

10. IF YOUR CHILD HAS PRIVATE LOANS: Approximately how much is the total balance of the private education loans your child has taken out for their education? (Your best guess is fine)

1 Under $10,000
2 $10,000 - $24,999
3 $25,000 - $49,999
4 $50,000 - $74,999
5 $75,000 - $99,999
6 $100,000 or more

11. IF YOUR CHILD HAS PRIVATE LOANS: What share of these loans is co-signed by you and/or the other parent?

1 All are co-signed by a parent
2 Some are, some are not
3 None – all are in the student’s name
12. IF YOUR CHILD HAS PRIVATE LOANS: When was the last time your child took out a private education loan?

1    Fall Semester 2008
2    Spring Semester 2008
3    Last year
4    Two years ago
5    More than 2 years ago

13. IF YOUR CHILD HAS PRIVATE LOANS: Has your child consolidated any of the private education loans?

1    Yes
2    No

14. Do you have any other children with private higher education loans?

1    Yes
2    No

Thank you!
5.5. In-Depth Interview Discussion Guide

Consumer Research and Testing for Private Education Loans
– IN-DEPTH INTERVIEW DISCUSSION GUIDE –
(FINAL VERSION: 11/24/08)

Interviewer Initials:

Date and Time:

Respondent Name:

I. WARM-UP (2 minutes)

- My name is ____ , and I am with a market research firm that studies how consumers make decisions for financial services. We are working with a Federal agency on the topic of higher education finance and want to get your feedback on ways of providing better information to consumers on private education loans.

- You have been invited here because (you/your child) recently completed a private education loan transaction or may consider it in the future. I would like to get your views on the process of paying for college.

- Please be frank – I am a researcher with no vested interests. There are not right or wrong answers, just your opinions.

- Note the one-way mirror. We are also audio-taping and video taping, which is standard research practice.

- Everything is confidential and for research purposes only. We put the results into a report that does not identify individuals by name.

- Questions?
II. INTRO & DECISION PROCESS (18 minutes)

First, I want to review your/your child's education financing situation and talk about your future plans for paying for college/graduate school.

[REVIEW SCREENER AND INTAKE SURVEY HIGHLIGHTS WITH RESPONDENT; IF PARENT, IDENTIFY CHILD COVERED BY INTERVIEW]

1. How did you (and your family) make the decision to use the funding sources that you've relied on until now?
   a. What role did you play vs. your child/parents in deciding how to pay for college?
   b. In the future, what types of funding do you think you will use to pay for college? [PROBE: parents/family, self/spouse, work, loans (federal/private), grants/scholarships]

2. As far as you know, what types of loans are available to students and parents to pay for higher education? PROBE: Any others you know of?
   a. Would you consider taking any of those before another? Why or why not? [PROBE FOR AWARENESS OF FEDERAL VERSUS PRIVATE SOURCES]

ASK 3 THRU 9 IF HAVE A PRIVATE EDUCATION LOAN:
3. How did you/your family first find out that a Private Education Loan was a funding option?
   a. What prompted you to consider getting a private education loan?
   b. What do you see as the advantages and disadvantages of private loan versus other types of loans?

4. What sources of information did you rely on to learn about private loan options? PROBE: financial aid office, solicitations by lender, web search

5. How many lenders did you consider?
   a. Why did you consider that number/just one?
   b. What sources of information did you use to evaluate the loan(s)? PROBE: Sources provided by lender versus other sources
   c. IF MORE THAN ONE LOAN OPTION CONSIDERED: How did you decide which loan was best, that is, what criteria did you use to compare them?
   d. Do you recall seeing disclosures that were mandated by law, such as a Truth In Lending Act disclosure? What were they?
      i. How useful were these?
      ii. Why?
6. Who was involved in the process of selecting the private loan(s)? PROBE FOR PARENT VERSUS STUDENT
   a. Who helped gather information?
   b. Who helped make the decision?

7. Where and how did you apply for the private education loan? PROBE FOR VENUES AND USE OF WEB/PAPER.

8. If you (your child/your family) were applying for a new private education loan, what, if anything, would you do differently?

9. Were there any surprises or problems in the process? What were they?

ASK 10 THRU 14 IF DO NOT HAVE A PRIVATE EDUCATION LOAN

10. Suppose you needed a private education loan. What sources of information did you think you would rely on to learn about private loan options? PROBE: financial aid office, solicitations by lender, web search

11. How many lenders did you think you would consider?
   a. Why would you consider that number/just one?
   b. What sources of information would you use to evaluate the loan(s)? PROBE: Sources provided by lender versus other sources
   c. If you had multiple options to consider, how would you decide which was best, that is, what criteria would you use to compare them?

12. Who would be involved in the process? PROBE FOR PARENT VERSUS STUDENT
   a. Who would help gather information?
   b. Who would make the decision?

13. Where and how would you apply for the private education loan? PROBE FOR VENUES AND USE OF WEB/PAPER.

14. What do you think are the advantages and disadvantages of a private education loan over other types of loans?
III. USABILITY TEST & FORM EVALUATION (60 MINUTES)

We have talked in detail about the process you went through/would expect to go through to get a private education loan for your/your child’s education. We are now going to review documents or forms with information that you might receive in that process.

I am going to show you a set of forms and ask you a few questions about them. As you review them please tell me what your impression is of each form and what information you are seeing in each. I am very interested in what you are thinking as you review the forms, so I am counting on you to express your thoughts out loud.

In this interview, I will be showing you three sets of forms: one for when you apply for a private education loan, one for when you are approved for a private education loan, and one for when you agree to take the loan.

[BEGIN WITH THE APPLICATION FORM]

15. Here is the first form I’d like you to review. Pretend you are considering applying for a private education loan, and this is what the lender provided you, with a copy of an application. I’ll let you look it over for a while but also talk to me about what you are seeing on the form and what you think when you see it. [LET RESPONDENT REVIEW AND TALK ALOUD]

   a. Can you tell what next steps you need to do?

16. Before we move on, I want you to tell me what you find useful or not useful about the form in terms of making it easy for you to use to evaluate a private education loan. Look the form over, and as we discuss, please:

   a. circle the information that you find useful or you think is presented clearly
   b. write question marks next to information you have questions about or you think is confusing
   c. and X out information you think is unnecessary or redundant

[LET RESPONDENT REVIEW AND TALK ALOUD]
17. Now I have a few specific questions for you in regards to the form you are looking at.

a. Thinking about the information you would expect to see on a form like this:
   i. Can you tell whether this is a good loan deal or not? CIRCLE BELOW.
      1 – Yes  2 – No  3 – Not sure
      1. How can you tell/why not?

   ii. Can you tell how taking this loan will affect you/your child in the future? CIRCLE BELOW.
      1 – Yes  2 – No  3 – Not sure
      1. How can you tell/why not?

   iii. What important information is provided in this form?
   iv. What important information, if any, is missing?
   v. Do you think enough emphasis is put on the information that is relevant to you in making a decision to take this private education loan or not?
      1. What helps this emphasis?
      2. What could be improved?

b. How easy is this form to use in evaluating a private education loan?

   i. Would you say: CIRCLE
      1 – Very Easy to Use
      2 – Somewhat Easy to Use
      3 – Somewhat Hard to Use, or
      4 – Very Hard to Use?
c. What do you think about the organization of the form?
   i. Is the form: CIRCLE
      1 – Very Easy to Follow
      2 – Somewhat Easy to Follow
      3 – Somewhat Hard to Follow, or
      4 – Very Hard to Follow?

   ii. What do you like about the organization?
   iii. What changes in organization or format, if any, would make it easier to follow?

d. How easy is it to read the information printed on this form?
   i. Is the form: CIRCLE
      1 – Very Easy to Read
      2 – Somewhat Easy to Read
      3 – Somewhat Hard to Read, or
      4 – Very Hard to Read?

   ii. What makes it readable?
   iii. What changes, if any, would make it easier to read? PROBE ON FONTS, FONT SIZES, GRAPHIC FEATURES.

e. Is the language/terminology clear and understandable?
   i. Is the language: CIRCLE
      1 – Very Understandable
      2 – Somewhat Understandable
      3 – Somewhat Hard to Understand, or
      4 – Very Hard to Understand?

   ii. What language do you find particularly useful?
   iii. What language could be made clearer?

f. Based on this information, what would you do next?
   i. PROBE: Apply for the loan? Go to other lenders to get this form with information for their loans to compare to this one? Look for alternatives to this type of loan?
18. Before I show you the next form, do you have any other comments or suggestions?

[APPROVAL FORM]
19. Here is the second form I'd like you to review. Pretend you were approved for a private education loan, and this is what the lender provided you to review before you agreed to take the loan. I'll let you look it over for a while but also talk to me about what you are seeing on the form and what you think when you are seeing it.

[LET RESPONDENT REVIEW AND TALK ALOUD]
   a. Can you tell what next steps you need to do?

20. REPEAT
21. REPEAT
22. REPEAT

[CONSUMMATION FORM]
23. Here is the third and final form I'd like you to review. Pretend you agreed to take out the private education loan for which you were approved and then got this form with the closing materials. I'll let you look it over for a while but also talk to me about what you are seeing on the form and what you think when you are seeing it.

[LET RESPONDENT REVIEW AND TALK ALOUD]
   a. Can you tell what next steps you need to do?

24. REPEAT
25. REPEAT
26. REPEAT
<table>
<thead>
<tr>
<th>Q</th>
<th>APPLICATION</th>
<th>APPROVAL</th>
<th>CONSUMMATION (CLOSING)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q17.a.i. Good loan deal or not?</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
</tr>
<tr>
<td>Q17.a.ii. How taking loan will affect you/ your child in future?</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
</tr>
<tr>
<td>Q17.a.iii. What important info is provided on form?</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
</tr>
<tr>
<td>Q17.a.iv. What important info, if any, is missing?</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
</tr>
<tr>
<td>Q17.a.v. Is enough emphasis put on the info that is relevant to you in making a decision to take private loan or not?</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
<td>1 YES 2 NO 3 NOT SURE</td>
</tr>
<tr>
<td>Q17.c.i. What about the organization of the form? How easy is it to follow?</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>Q17.c.iii. What changes in the organization or format, if any, would make it easier to follow?</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>Q17.d.i. How easy is it to read the information printed on this form?</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>Q17.d.iii. What changes, if any, would make it easier to read?</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>Q17.e.i. Is the language/terminology clear and understandable?</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>INFO ITEM</td>
<td>LOCATED?</td>
<td>How easy was that to locate on the forms?</td>
<td>How easy is it to understand what that information means?</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------</td>
<td>------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>APR</td>
<td>1 YES 2 NO</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
<td>1 Very Easy 2 Somewhat Easy 3 Somewhat Hard 4 Very Hard</td>
</tr>
<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of your loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment Start Date</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late payment penalties</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferment options</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whether the interest rate is fixed or variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The amount of your payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 day period to accept terms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 day period to rescind</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IV. LOAN COMPARISON (10 MINUTES)

28. SHOW SHOPPING (APPLICATION) DISCLOSURE FORM FOR THREE LOANS:
Now I am going to let you take a look at three forms in the same format but each of
them has different loan terms on them. As you review them, I want you to talk to
me about the information you’re seeing and what might make one loan better or
worse for you than another one and why. [LET RESPONDENT REVIEW AND
TALK ALOUD]

a. What are you considering as you evaluate the loans and terms?

b. What information is here that is helping you compare the loans to each
other?
   i. What information do you wish was here to help you compare?

c. Which of these loans is the best one in your opinion?
   i. Why?

V. WRAP-UP

Those are all of the questions I have. Do you have any further comments you would
like to make?

Thank You!