

RI Student Loan Authority

Executive Summary of Strategic Plan

Unanimously Adopted by The Board, August 23, 2023

Mission Statement:

Consistent with the authority granted by the General Assembly of the State of Rhode Island, it is the mission of the Rhode Island Student Loan Authority to provide a system of financial aid counseling to help make post-secondary education more accessible and affordable for students and families.

First of all, why is it important for students and families to be aware of RISLA and its low-cost loans? The answer is that RISLA can save the average family thousands of dollars in interest and fees.

As an example, in a recent financing document, Sallie Mae reported that their average interest rate was 11.25%. RISLA's rate for both RI residents and students coming to RI to attend school is 6.62%. On a \$20,000 loan, RISLA could reduce a family's borrowing costs by \$6,000 over ten (10) years if they start paying right away. RISLA's savings for parents would be much greater than that if they wait to repay after the student leaves school, as the Sallie Mae interest would accrue at a much higher interest rate during the in-school period.

Even when compared to the Federal Parent (PLUS) loan, RISLA could save parents \$4,200 in interest and fees on that same \$20,000 loan over 10 years.

While this is not new, the situation has become a much bigger challenge in recent years.

- Traditionally, students and parents would meet in person or have telephone conversations with college financial aid officers. The colleges like the services and low rates that RISLA offers and would encourage families to consider RISLA. The combination of the internet and the pandemic dramatically changed that paradigm, resulting in far fewer students meeting with college financial aid officers.
- Several years ago, legislation was passed requiring a college to complete an extensive RFP before they could recommend a lender and then have to substantiate their recommendations in writing. Few schools want to undertake that effort or potential regulatory liability. The usual result is that colleges have just one long list of all the education lenders which can be dozens!

Consequently, families are turning to the internet for information on financial aid, scholarships, and loans.

There is a real challenge for RISLA at RI Independent Colleges because of the Demographics:

- Overall, approximately 85% of the students at the twelve independent schools in RI are from outside RI.

University of Rhode Island Demographics

- More than 50% of the students at URI are from out of state.

Local advertising is not going to be seen or effectively remembered by most families while visiting colleges in RI. Students will take out the Federal Direct Loan (max of \$5,500 for freshman) and then parents must make up any remaining gap. RISLA reaching out to students is generally not effective.

In response to the reduced effectiveness of the “school channel” and the increased use of direct mail and lead generators, RISLA undertook several strategies this year to make families aware of the significant savings RISLA provides.

1. Instituted Tiered Pricing (FICO score based) for its in-school loans in order to compete with the “as low as rate” from for-profit lenders. College lender lists frequently show a dozen or more lenders with a very wide range of rates on their loan, some as high as 17%, but people naturally gravitate to the as low as rate.
2. RISLA purchased over 20,000 names from lead generators for any student that referenced a RI institution. Most of these are from scholarship sites.
3. RISLA sent out 191,400 direct mail pieces this spring and summer. Studies have shown that direct mail is the most effective for financial products (which student loans are).
4. Developed our own online financial aid and FAFSA tools to compete with Sallie Mae’s Nitro site and Navient’s Going Merry.
5. RISLA’s Knowledge for College financial literacy scholarship site, which is available to graduate students as well.

These efforts were reasonably successful as RISLA’s market share has increased approximately 10 % this season.

Future Objectives:

Obtain the contact information for parents or the permanent address of students who are:

- a) Currently attending or planning to attend a RI institution.
- b) Are considering applying to a RI institution.

Possible means for identifying out-of-state parents and students.

- a) Offer free FAFSA or general financial aid assistance and college planning. This is what Sallie Mae and Navient are doing.
- b) Promote popular downloadable information online for RI universities and admission application tips.
- c) Scholarships for students attending school in Rhode Island. Most scholarship sites have “no essay” scholarships to encourage “students” (frequently it is the parent posing as the student applying for scholarships) to provide their contact information and “permanent address”.