

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: January 2015 **LETTER NO.:** 15-CU-02

TO: Federally Insured Credit Unions

SUBJ: Private Student Loans with Graduated Repayment Terms at Loan Origination

ENCL: Interagency Guidance on Private Student Loans with Graduated Repayment Terms at Loan Origination

Dear Board of Directors and Chief Executive Officer:

If your credit union offers student loans without a federal government guarantee, I encourage you to review the enclosed interagency guidance to ensure your private student lending practices align with NCUA's risk management expectations. The guidance provides principles that you should consider in your credit union's policies and procedures for originating private student loans with graduated repayment terms.

Private student loans are among the fastest-growing products offered by credit unions. Well-managed student lending programs allow credit unions to establish long-term relationships with members at the beginning of their financial lives.

Credit unions that originate private student loans may offer members graduated repayment terms as an alternative to fixed amortizing terms at the time of loan origination. Graduated repayment terms provide lower initial monthly payments that slowly increase. This product may help members who need time to transition into the labor market and help credit unions meet the needs of another portion of their membership.

In establishing policies and procedures to offer graduated repayment terms at origination, the guidance recommends that you should consider the following principles:

- Ensure orderly repayment;
- Avoid payment shock;
- Align payment terms with a borrower's income;
- Provide borrowers with clear disclosures;
- Comply with all applicable federal and state consumer laws and regulations and reporting standards; and
- Contact borrowers before reset dates.

If you have any questions about private student lending, you may contact your NCUA regional office or state supervisory authority.

Sincerely,

/s/

Debbie Matz
Chairman

Enclosure