

HLS PREFERRED LENDER SELECTION PROCESS**2023-2024****Summary**

For the academic year 2023-2024 Harvard Law School (HLS) sought to obtain attractive private student loan options for students, with a priority being competitive interest rates. To that end HLS posted a request for proposal (RFP) to the Massachusetts Association of Student Financial Aid Administrators (MASFAA) listserv and distributed the RFP to lending institutions who expressed interest in reviewing our request. Terms requested in the HLS RFP included:

- Low interest rate (targeting 2% below the Federal Graduate PLUS rate)
- No credit scoring (i.e., interest rate should not vary based on credit score)
- Loan terms and conditions as close as possible to the Federal loans
- 10-year repayment term
- Available to international students with no co-signor required

The RFP indicated that, in order to achieve reduced rates for HLS students, HLS would consider risk share agreements.

A committee formed to evaluate responses to the RFP. The committee consisted of members of both HLS and University administration (members listed in Appendix 1).

Following the issuance of the RFP to 11 lenders, 5 submissions from lenders were received (full list in Appendix 2). Three contained boilerplate/industry standard terms that were not responsive to the RFP's basic parameters, specifically these lenders offered higher interest rate loan products with credit-based variable interest rates and/or required cosigners for international borrowers. The remaining institutions either chose not to submit a proposal or submitted a proposal. The committee reviewed the responses from the following lenders for further consideration:

1. College Ave Student Loans (CASL)
2. Harvard University Employees Credit Union (HUECU)
3. MPower
4. Massachusetts Educational Financing Authority (MEFA) – domestic borrowers only
5. Ascent Funding, LLC

Evaluation of Lender Responses

In evaluating the responses that address the RFP's basic parameters, HLS sought to identify offers that would minimize interest rates and fees for HLS students, without creating unrealistic financial exposure for HLS. The following proposals were deemed by the committee to be better than the others were in this regard:

- Domestic students
 - HUECU offered to lend to domestic HLS students at a fixed interest rate equal to 6.50% with no fees at the time of submission which was the second lowest rate offered to domestic students. Since submission, HUECU reduced its rate to 5.75%. HUECU's proposal assumed the University-wide risk share agreement of 5%.
 - CASL offered to lend to domestic HLS students at a fixed interest rate with no fees and assuming a 5% risk share arrangement with HLS. At the time of the RFP, CASL submitted a preliminary rate of 6.89% and indicated that their final rate proposal would be based on the results of the May 2023 Federal Treasury auction. The preliminary rate was the third lowest fixed rate offered to domestic students, and after the auction, CASL then submitted a final rate of 5.99% for domestic students.
 - MEFA offered the potential for the lowest fixed interest rate with a rate cap under the federal Direct Unsubsidized rate at the time the time of submission (range of 5.74% - 6.94%) based on credit, for domestic students.

- Ascent Funding, LLC offered the lowest interest rate for domestic students with a fixed rate with a rate cap significantly over the federal Direct Unsubsidized rate at the time the time of submission (range of 5.62% - 16.24%) based on credit, for domestic students
- International Students
 - HUECU offered to lend to international HLS students without U.S. cosigners at a fixed interest rate equal to 6.50% with no fees at the time of submission which was the lowest rate offered to international students. Since submission, HUECU reduced its rate to 5.75%. HUECU's proposal assumed the University-wide risk share agreement of 5%.
 - In the same scenario as domestic students (i.e., with final rates being tied to the May 2023 Federal Treasury auction), CASL offered a 6.89% fixed interest rate for international students at the time of submission with no fees and assuming a 5% risk share arrangement with HLS. After the auction, CASL then submitted a final rate of 5.99% for international students.

In evaluating lender responses, the Committee also reviewed the other terms and conditions offered by lenders. These included: eligibility, fees, days to default, loan size limit, borrower benefits, term for repayment, deferral and forbearance, servicing standards, and death & disability cancellation. The Committee judged that, with respect to these criteria, the offerings by CASL and HUECU (the two lenders that the Committee viewed most favorably in terms of interest rates and fees without realistic HLS exposure) were broadly similar to each other.

Conclusion

Based on the criteria discussed above, the committee selected CASL and HUECU, both for domestic and international students as its Preferred Lenders for the 2023-2024 academic year. University senior management reviewed the committee's selection.

Appendix 1 – Selection committee members

- Natasha Onken –Assistant Dean for Student Financial Services, Harvard Law School
- Beth Barrett – Director of Student Financial Services and University Bursar, Harvard University
- Denise Ryan - Assistant Director for Program Development and External Relations, Harvard Law School
- Katie McGrath – Associate Dean for Finance and Chief Financial Officer, Harvard Law School

Appendix 2 – List of lending institutions that replied to the Harvard Law School Request for Proposal

- Ascent
- College Ave Student Loans
- Harvard University Employee Credit Union
- Massachusetts Educational Finance Authority
- MPower