Speaker 1 (00:08):

Good morning, thank you for joining us. We want to talk today about our new program, student loan insurance. So let's go ahead and get started. I hope you're having a great day. So let's start with this question on the cover, we insure lots of our major purchases, our big investments. Why don't we insure student loans? And how can we do that? We're rolling out student loan insurance this summer, starting in July, and so starting in July, students will be able to do exactly that and insure their student loans, which really is not just about insuring the student loans, but about insuring the economic outcome of one of the biggest investments a student makes until they go ahead and buy a home. Their college education.

Speaker 1 (00:47):

First, let me they give you some background on myself. I went to Greenville University, one of the CC'S member schools and then to Yale Law School. When I went to Yale Law School, I wasn't sure what I would do with my life. I thought I might work in a nonprofit and initially Chicago, University of Chicago Law School offered me a lot more financial aid than Yale Law School did. So I thought I would have to go to Chicago and save the money. But then I noticed that Yale had a brand new program that had started a year or two before, which has ended up being called by most law schools, LRAPs, loan repayment assistance programs. And the promise was simple. If my income was low after graduation, they would help me make my loan payments, which was fantastic for anyone thinking about public interest work.

Speaker 1 (01:28):

If you fast forward a few years, I graduated from the law school, ended up at McKinsey and Company as a consultant and joined the board of a small college Central college in McPherson, Kansas, where my mom taught for years. And I thought we've got the same problem that Yale had when they started their LRAP program, which is we spend a huge investment recruiting students to come and then we send out financial aid awards and so many of the students don't come, and our yield is way below 25%. So why don't we at Central make the same promise as Yale? Well, all kinds of reasons not to, right? Much smaller school, different student body, small endowment, not financially flush lots of obstacles to it. And that's where the idea for our DL came from, which is let's put together a company that provides this program to colleges so that colleges can give this to students and give them the same promise so they can get away from that fear of student loan debts and instead have a safety net to protect their outcomes.

Speaker 1 (02:25):

So to date, we've worked with over 200 colleges and universities. As we talk about student loan insurance, I'm going to talk briefly first about LRAPs that we've been offering for over a decade to colleges and universities to use with students because the student loan insurance is really just an extension of our LRAP program, a new version. And so I need to explain how that works in some ways. First, to set the stage for student loan insurance itself. As this page shows, we worked with lots of colleges and colleges are very creative in how they use our LRAP program, and they use it to address different segments of students, different needs, different strategic priorities as they look to grow or shape their class. What I want to focus on today is on the left side, the pilot we did last year with Pacific Lutheran University as we started exploring student loan insurance.

Speaker 1 (03:11):

But let's start with student loans. We love working with Ruffalo, Noel and Levit. We work with several of their surveys every year, either to co-sponsor or having them do specific research for us, touching on the effectiveness of LRAPs in impacting student enrollment decisions. And one of the fundamental pieces of data that you'll see here in this survey or other surveys is a very large percentage of students and families say that student loans have a negative impact on their enrollment decision. It restricts what colleges they think they can attend. It has an impact on what major they choose. They have an impact on what career they choose coming out of college. And so a really restrictive negative impact on college access and also on completion rates. And what we want is a way to help overcome that, and that's what we provide with LRAPs. And now with student loan insurance, where does that fear come from?

Speaker 1 (04:01):

Well, the fear of fundamentally comes from low incomes. When you look at the average income of college graduates, they're pretty good right out of college, usually 40, $50,000 depending on what you're looking at, what type of major, what type of program? Much higher for STEM majors of course, but one of the problems is that the average income hides the bottom 10 or 20% or 25% on this chart. And every cohort we've looked at, every different college, every university that bottom 10% of graduates just don't earn very much money. Most of them are working part-time, they're working near minimum wage and a lot of cases at most colleges, and they're earning so much less than that average, which if you earn the average, you'd be fine. You could pay off your loan payments. And when this happens to a student, everyone hears about it, right? When you hear about it, if it's one of your relatives, you hear about it if it's the son or daughter of someone you work with.

Speaker 1 (04:49):

And so the fear of having this negative outcome is much larger than the risk of actually having it, but it happens all the time. And what we want to do is we want to remove that fear, and we do that by giving students the powerful promise of LRAP. If your income is low, we'll make your loan payments. It's not just looking at our relatives and the sons and daughters of people we work with. Policy people have been thinking about this a lot have talked about this a lot, put out a lot of ideas. Two of the ones I like, Sandy Baum, Jason Delisle had a great paper a few years ago now, a couple years ago now, and it was interesting that they use the phrase students need insurance against poor outcomes because overall, the rate of return for higher education is great. Most students on average get a really good return for their investment, but there is that bottom 10 or 20% where it doesn't pay off well, and it's that variance in outcomes that need that.

Speaker 1 (05:39):

Some students need some help, and that's what we want to do is provide that help. So as a brief recap here, why do we need student loan insurance? For most students, college is worth it, but the fear of debt is very negative. And so student loan insurance will give families the confidence, invest in their college and education. So with LRAP, we've been doing this for years and it is really fun to see individual students, the impact we have on their lives to talk to them, to read their stories. We've got a story here of Gabriela first generation facing a lot of obstacles. And so she was going to compromise and not go to the college she wanted to go to until the school she wanted to attend, offered her a LRAP, which really changed the direction her life was in because it allowed her to go to a different college where she'll end up probably with a different major and certainly on a different trajectory.

Speaker 1 (06:27):

And more importantly, she gets to be free to dream, to do what she wants to do instead of feeling constrained and feeling that she can't take advantage of those student loans. And we want to make that available to more students. Research verifies the impact that LRAPs have had on student decisions. We worked with RNL to survey 1,200 families at nine of our client colleges and universities. They surveyed not only the families of students who received LRAP, but also at schools that were not giving LRAP to all of their students, the families of students who did not matriculate. And two of the interesting numbers that came out of the survey research, 24% of students of color would not have enrolled without LRAP. It's almost the same for first generation students and students from families with incomes below a hundred thousand dollars. Those were 26 and 27% respectively. What's also interesting is when you look at the families of students who did not matriculate, 13% of those families said, our son or daughter would have matriculated if they had received an LRAP. Really confirming what an impact the LRAP has on changing enrollment decisions, especially when you think that yield at most of these colleges is probably 20 or 25%. So the number of non-matriculants is much, much larger than the number of students in the freshman class every year.

Speaker 1 (07:42):

So LRAP is a great way to protect students from poor outcomes. I want to go to the third point on this page though, which is colleges pay for LRAP and it's not particularly cheap, although the colleges do get a good return on their investment as we grow their enrollments, but because of that and because of the reality of budgets, colleges naturally limit who they give LRAP to. And that's what we want to address with student loan insurance is instead of having just a limited number of students receiving LRAP, we want to use student loan insurance to make it available to all students coming in. One of the questions we get offered from our partner colleges is, can we pass the cost of this on to students? And up until now, the answer has always been no. Our insurance partners, our actuaries have been worried about the ever selection and other issues, and the answer has been no.

Speaker 1 (08:26):

The college must pay for it and we can't charge students for it, but we now have a new program in place, a new insurance partner, the actuaries are comfortable about what we've done here and we can now offer student loan insurance where the student themselves will pay for the program, letting the college make it available to all students instead of limiting it to just some. We ran a pilot of this last year at Pacific Lutheran University who we've worked with LRAPs for several years before that. So for all of their incoming students for fall 2023, and I forget now if this was just incoming freshmen or incoming freshmen and transfers, I believe it was both, and it certainly could be done either way. We made student loan insurance available to all of these students. Ardeo makes emails and phone calls to the families to inform them to the students or the parents if we have their contact info.

Speaker 1 (09:14):

Students who wanted it opted in, added the cost to their bill, paid for it that way. 16% of borrowers signed up for student loan insurance, which was well above what we were hoping for. We were hoping for anything close to 10%, and this is well above, which is fantastic for us. Fun to talk to some of the students and hear their stories, how this changed, how they thought about the investment they were making, and great to see that a relatively large number said, this is very important. This will make a difference in my ability to come here to PLU. So let's talk more about how this works in detail just a little bit. So once PLU said, we're going to make this available, we set up a landing page for their students to come to. As we communicated with emails, they would click and land here at the landing page and complete the process. The landing page here, several pages, give them lots of information about how the program works, answers their questions, and of course they can reach out to us and get answers to other questions as well.

Speaker 1 (10:08):

Bit of detail on how the program works specifically, the college makes it available. As I said, at no cost to the college. Students pay for it themselves. They can cancel at any time as they go through college. So if they buy it as a freshman but decide that they're now doing great, they're not worried about their future. They don't have to buy it as a sophomore, junior, senior. They don't lose the insurance they purchased as a freshman, but they don't have to cover the loans they borrow for those later years. We cover whatever loans they need to fulfill their cost of attendance. So both federal student loans, private alternative loans, and parent plus loans. Lots of times this makes a really a big difference for parents who are wondering about whether they want to co-sign for that private loan or actually take out the parent plus loan themself as they balance the risk of their own retirement fund and what that's looking like.

Speaker 1 (10:51):

Once the student graduates, then they need assistance. Well, we hope they don't need assistance. We hope their income is great. For most of the time that's true, but some do need assistance. And sometimes students will ask, what's the catch? This just sounds too good to be true. No real catch. But they do have to graduate, and they do have to be working on average 30 hours a week, and the assistance is dispersed on a sliding scale until either their loans are fully repaid or until they earn more than a specified upper income limits. In the case of DLU, it's $50,000. That limit's going to vary based on the school, based on the students and from year to year, depending on inflation. So the point L wrap can be quite easy for a college or a university. The college chooses which students will receive SLI where the students will pay for it. And if the college wants to, they can also pay for it for different groups of students to boost enrollment more directly. And then we at our A day l do the rest. We communicate the offer to students and families. When we talk to families, when we talk to students, we ask them questions about how they're

Speaker 1 (11:52):

Thinking about their enrollment decision, and we pass that information directly back to our college partners. Often we will have information about whether the college is the first or second or third choice. Sometimes there's specific questions that students are looking for answers to, and we can pass those back to your admissions teams. Your admissions counselors can get on the phone or by email or text and follow up. I showed you the landing page, and then there's other pages behind that. We train your team to the extent you want. If you're making SLI available for free, that's probably very minimal. Your team just needs to be aware of it. If you're using it LRAP as an enrollment tool to boost enrollment, you probably want a little more training, but we provide whatever's needed. And then we of course handle all the repayment assistance to qualifying graduates after graduation, all communications to them through school as they have questions and after they graduate on our call team, we run a little call center as we reach out or either get calls from students in response to emails or reach out to them to see if they have questions.

Speaker 1 (12:52):

A lot of our clients say, this is one of the best things. They love the fact that we're actually on the phone talking to families. We talk to lots of families, lots of students, lots of parents, and we send their questions to your admissions team promptly. We can automate that exchange back and forth with CRM, especially if you're using Slate. It's very easy, but also with other CRMs. And then pass back information to you that we learned that your admission team wants to know as those sample call notes on the right show. Some of the examples.

Speaker 1 (13:23):

Let's recap a little bit here as we wrap up. Why student loan insurance? We ensure all of our other large investments in life, so why not student loans? For most students, college is definitely worth it, but there's that group that really struggle after graduation. That fear of being in that group means that there's a fear of student loan debt that has a negative impact on decisions, and we're working to overcome that negative impact. It gives students freedom to dream and to go where they want to go. So LRAPs have helped protect students for decades now, including both law schools and what we've been doing research with r and l and other research our colleges do themselves that we do shows they are very effective. They have a real impact in giving students the freedom to go to their preferred college. But colleges naturally have limited budgets and so cannot give it to all their incoming students. Student loan insurance changes. That makes it possible to allow colleges to make the same safety net available to all students at no cost to the college. And we really love the results we saw at our first pilot at PLU as I shared.

Speaker 1 (14:24):

Love to take any questions. If you want to have a follow-up discussion, we'd be happy to have a follow-up discussion at your convenience by Zoom or on campus or at a conference. Just let us know. Thanks for your time. Been great talking to you.