New York Higher Education Loan Program (NYHELPs) Underwriting Manual

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New York State Higher Education Services Corporation

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I. DEFINITIONS

The terms defined in 8 NYCRR Section 2213.1 shall have the same meaning for purposes of this Underwriting Manual as if set forth herein. The following terms shall, for purposes of this Underwriting Manual, have the following meanings:

1. "Agency" shall mean the State of New York Mortgage Agency.

2. "Applicant" shall mean a student borrower, primary cosigner, or non-student borrower.

3. "Application" shall mean the Personal Information Form completed on the HESC Student Loan Marketplace or the application form provided by the Servicer.

4. "Corporation" shall mean the New York State Higher Education Services Corporation.

5. "Creditworthy" shall mean a non-student borrower or cosigner with an acceptable credit rating as set forth in this Underwriting Manual.

6. "Servicer" shall mean an entity that enters into a contract with the Corporation to administer any aspect of the Program.

7. "State" shall mean the State of New York.

II. Product Availability

A. Availability of Variable-Rate Loans

Variable-rate loans are currently unavailable.

B. Availability of Fixed-Rate Loans

The availability of fixed-rate loans is subject to the issuance of private activity bonds. The distribution of fixed-rate loans will be determined by the Corporation and publicized on the Corporation's Web site. The Corporation reserves the right to adjust these parameters to ensure that all proceeds are fully utilized. All such adjustments will be publicized on the Corporation's Web site.

III. General Underwriting Guidelines

HESC Student Loan Marketplace (Marketplace) and/or the Servicer's platform are the Corporation's automated underwriting systems. Currently, borrowers must submit loan Applications through Marketplace and will receive preliminary instant loan terms. The

Corporation reserves the right to change its automated underwriting systems. This Underwriting Manual establishes minimum underwriting standards. The Corporation reserves the right to supplement these standards, and to modify such supplemental standards from time to time, subject to approval by the Agency with respect to loans that may be eligible for purchase by the Agency.

A Holder/Servicer must submit fully documented loans that have been underwritten and approved in accordance with Program guidelines and regulations, and other application terms as specified in a Program agreement or contract.

A. Credit Criteria Requirements

1. Each Applicant must meet the following credit criteria:

    i. Have no unresolved federal or State educational loan default, or failure to refund an overpayment of a State educational grant or award, or failure to satisfy the service requirement of a State educational award;

    ii. Have $100 or less of aggregate unpaid tax liens, foreclosures, judgments, collection accounts or charge-offs; and

    iii. Prior to the 2012-13 academic year, have $100 or less of aggregate delinquencies that are 60 days or more past due. Beginning with the 2012-13 academic year, have no more than two delinquencies that are 60 days or more past due during the 24 month period prior to Application.

    An Applicant will be declined a Program loan if any of the above criteria are not met.

2. Non-student borrowers and primary cosigners must meet the following additional credit criteria:

    i. A FICO score of 660 or greater with a cosigner and 720 or greater without a cosigner;

    ii. A minimum annual gross income threshold of $18,000;

    iii. Prior to the 2012-13 academic year, non-student borrowers and cosigners with an annual gross income of less than $80,000 cannot have a debt-to-income ratio that exceeds 39%. Non-student borrowers and cosigners with an annual gross income equal to or greater than $80,000 cannot have a debt-to-income ratio that exceeds 40%. Beginning with the 2012-13 academic year, non-student borrowers and cosigners cannot have a debt-to-income ratio that exceeds 40 percent of gross income. Subject to approval of the Agency, a debt-to-income ratio in excess of 40 percent but not to exceed 45 percent of gross income may be manually reviewed by the Corporation for loan approval purposes;

    iv. At least two years of credit history; and

v. Any bankruptcy filings must have been dismissed or discharged at least 36 months prior to Application.

Student borrowers may add a second cosigner's monthly gross income, and other annual income, to be included in the denominator of the debt-to-income calculation. HESC reserves the right to require the inclusion of the second cosigner's monthly expenses, and other debt payments, as part of the debt-to-income calculation. The second cosigner is required to reside at the same address as the primary cosigner. The second cosigner is not required to satisfy the credit criteria. All cosigners shall have full legal liability and responsibility for the repayment of Program loans.

The Corporation reserves the right to manually review any Application in connection with the credit criteria for the purpose of approving or denying a program loan, except as otherwise provided in Section III(A)(2)(iii).

B. Delinquencies

Prior to the 2012-13 academic year, any Applicant whose credit report indicates over $100 of aggregate delinquencies that are 60 days or more past due will be declined as having excessive delinquencies. Beginning with the 2012-13 academic year, any Applicant whose credit report indicates more than two delinquencies that are 60 days or more past due during the 24 month period prior to Application will be declined as having excessive delinquencies. Applicants will also be declined for recent failures to make certain court ordered payments or to pay other obligations as specified from time to time by the Corporation, subject to approval by the Agency with respect to loans that may be eligible for purchase by the Agency.

C. Debt-to-Income Ratio

1. A debt-to-income Ratio is determined by dividing the non-student borrower’s or primary cosigner’s, as applicable, total monthly payment obligations by their monthly gross income. A second cosigner’s monthly gross income will be included in this calculation. See Section III (A).

2. Prior to the 2012-13 academic year, non-student borrowers and cosigners with an annual gross income of less than $80,000 whose debt-to-income ratio exceeds 39% will be declined. Non-student borrowers and cosigners with an annual gross income equal to or greater than $80,000 whose debt-to-income ratio exceeds 40% will be declined. Beginning with the 2012-13 academic year, non-student borrowers and cosigners with debt-to-income ratios exceeding 40 percent will be declined. Subject to the approval of the Agency with respect to loans that may be eligible for purchase by the Agency, a debt-to-income ratio in excess of 40 percent but not to exceed 45 percent of gross income may be manually reviewed by the Corporation for loan approval purposes.

3. Deferred student loans and proposed Program loans must be included as a debt obligation of the non-student borrower or primary cosigner.

D. Income/Income Verification

1. Income. Each Applicant (except a student borrower) must have annual gross income of $18,000 or greater.

2. Income Verification. The current year's employment income history of each Applicant (except a student borrower) and second cosigner must be verified. All other income history shall be verified as directed by the Corporation.

E. Employment Verification

The Holder/Servicer must verify employment as directed by the Corporation or if the Holder/Servicer suspects fraud.

F. Credit Reports and Credit Bureau Discrepancies

Credit reports will be required for all Applicants for all loans. Credit reports for approved borrowers will be valid for the length of the loan period.

The Holder/Servicer must take action to verify and resolve any discrepancies between an Application and credit report. A fraud warning letter must be sent by the Holder/Servicer to the address contained in the credit report if a discrepancy is identified. A Holder/Servicer must use identity authentication software to verify identity in cases where discrepancies are found. Each subsequent loan must have a complete credit check performed.

IV. Interest Rates and Borrower Fees

A. Interest Rates

In any academic year for which the Agency issues private activity bonds, the proceeds of which will be used to purchase fixed-rate loans from lenders offering fixed-rate NYHELPs loans on behalf of students attending colleges in New York State, the fixed interest rates for individual loans, for each repayment option, will be determined based on the costs of issuing Program bonds for the applicable academic years as set forth on the table below. Upon each sale of bonds, the applicable FICO score requirements, interest rates and default fees will be established by the Corporation in consultation with the Agency and then published on the Corporation's Web site.

A 0.25 percent interest rate reduction will be allowed for borrowers who elect to have monthly loan payments deducted electronically via the Holder/Servicer Automated Clearing House (ACH) process, subject to approval by the Agency with respect to loans that may be eligible for purchase by the Agency.

This benefit shall be discontinued if the borrower has two payments returned due to insufficient funds or discontinues ACH. A borrower may apply to the Corporation to reinstate the electronic deduction of monthly loan payments and the interest rate reduction no earlier than 12 months after the second insufficient funds payment is returned. Such reinstatement may be granted at the sole discretion of the Corporation.

B. Borrower Default Fees

The Borrower Default Fees will be established concurrently with the interest rates and published on the Corporation's Web site.

Cosigner Present

Loan Type	Minimum FICO	Interest Rate	Borrower Default Fee
P&I	Highest	Lowest	X%
P&I	Middle	Lowest	X%
P&I	Low	Lowest	X%
Interest Only	Highest	Middle	X%
Interest Only	Middle	Middle	X%
Interest Only	Low	Middle	X%
Deferred	Highest	Highest	X%
Deferred	Middle	Highest	X%
Deferred	Low	Highest	X%

No Cosigner

Loan Type	Minimum FICO	Interest Rate	Borrower Default Fee
P & I	TBD	Lowest	X%
P & I	TBD	Lowest	X%

V. Repayment

A. Loan Repayment Options

- Option 1 P&I – Pay principal and interest immediately.

- Option 2 Interest Only – Pay only interest until the day after the end of the grace period following graduation, withdrawal, notification of less than half-time enrollment, or transfer to a non-Title IV eligible college.

- Option 3 Deferred – Defer payment of principal and interest until the day after the end of the grace period following graduation, withdrawal, notification of less than half time enrollment, or transfer to a non-Title IV eligible college.

Only student borrowers are eligible for Options 2 and 3; non-student borrowers must enter immediate repayment of principal and interest (Option 1).

If a borrower elects, or is required, to make full principal and interest payments (Option 1), the borrower will not be permitted to change his or her repayment option to defer payment (Options 2 or 3).

If a student borrower elects to pay interest only (Option 2), the student borrower will be permitted to make principal payments while in school or change his or her repayment option to Option 1, but will not be permitted to change his or her repayment option to defer payment.

If a student borrower elects to defer payment of principal and interest, the student borrower can still make payments while in school or change his or her repayment option to Options 1 or 2.

HESC reserves the right to offer to student borrowers the option to change his or her repayment option from Option 1 or 2 to Option 2 or 3 upon the request of such student borrower who demonstrates compelling financial circumstances warranting such loan modification. The terms and availability of such loan modification shall be determined by the corporation, and with respect to program loans that are otherwise eligible for purchase by a public benefit corporation shall be subject to approval by such public benefit corporation, on at least an annual basis with respect to all or a portion of the program loans to be made for the applicable academic year after taking into account applicable financial market conditions.

B. Loan Repayment Terms

The repayment term is based on the loan balance. The standard repayment term is 10 years after the repayment begins.

Extended repayment for higher cumulative balances applies only to the new loans which, along with previously incurred outstanding loans, cause the borrower's cumulative balance amount, including capitalized interest, to exceed the amount necessary to be eligible for extended repayment, as follows:

Cumulative Balance	Repayment Term
$2,000 - $20,000	10 years
$20,001 - $40,000	15 years
$40,001 and greater	20 years

The borrower must request (and the cosigner(s) must agree to) this extended payment plan for the applicable loan(s) at the time of application.

C. Loan Term Details

1. Interest begins to accrue from the date the loan is disbursed by the Holder/Servicer to the Corporation.
2. There is no interest subsidy.
3. Forbearances do not extend the term of the loan, but in-school and active duty military deferments may extend the term of the loan.
4. The minimum monthly interest or principal and interest repayment is $50, except for a borrower making (a) interest only payments that are less, or (b) payments in accordance with an approved modified payment plan.
5. There is no prepayment penalty.
6. If a borrower makes a payment more than 15 days after it is due, a late charge of 5% of the past due payment or $25, whichever is less, may, at the option of the holder, be assessed.
7. A borrower will be charged $15 per returned payment.
8. Borrower fees will be deducted from each loan disbursement.
9. The loan is delinquent the first day after the required payment due date.
10. The loan is in default when it becomes 181 days delinquent.
11. The highest FICO score of all the Applicants (excluding student borrowers) is used to determine the borrower default fee.

VI. Reports

The Holder/Servicer of a Program loan must report quarterly on the performance of its NYHELPs loan portfolio. Reports must be filed with the Corporation within 30 days from the end of the quarter to: *provide contact name and address for submitting the report*.

VII. Record Retention

A Holder/Servicer must retain all credit information and documentation needed to originate, disburse, and service a Program loan as directed by the Corporation, including, but not limited to, the Applicant(s) credit report, verification of employment or income documentation and identity authentication documentation.

VIII. Conflict Resolution

In the event of a conflict between the Program Underwriting Manual and any other document developed for the purposes of the Program, the Program Underwriting Manual will take precedence, subject to statutory and regulatory requirements.