



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-6-2015
February 2, 2015

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

Summary: The agencies,¹ in conjunction with the State Liaison Committee (SLC), have issued *Guidance on Private Student Loans with Graduated Repayment Terms at Loan Origination* (Student Loan Guidance). The Student Loan Guidance recognizes that students leaving a higher education program may prefer more flexibility with their payments as they transition into the labor market. Financial institutions that originate private student loans with graduated repayment terms should prudently underwrite the loans and provide disclosures that clearly communicate the timing and the amount of payments to facilitate a borrower's understanding of the loan's terms and features.

Statement of Applicability to Institutions Under \$1 Billion in Total Assets: This Financial Institution Letter applies to FDIC-supervised institutions that originate private student loans.

Distribution:

FDIC-Supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Loan Officer

Related Topics:

[Banking Agencies Encourage Financial Institutions to Work with Student Loan Borrowers Experiencing Financial Difficulties, FIL-35-2013, August 1, 2013](#)

Attachments:

Guidance on Private Student Loans with Graduated Repayment Terms at Origination

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Note:

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Highlights:

- Financial institutions that originate private student loans may offer graduated repayment terms in addition to fixed amortizing terms to borrowers at the time of loan origination.
- Graduated repayment terms provide lower initial monthly payments early in the repayment period and phase in the amortization of the principal balance.
- The Student Loan Guidance provides principles that financial institutions should consider in their policies and procedures for originating private student loans with graduated repayment terms.
- Graduated repayment terms may align a borrower's income level with loan repayment requirements, provide flexibility to repay the debt sooner if a borrower's income increases more quickly than projected, and may help long-term probability of full repayment.
- Financial institutions should provide disclosures that clearly communicate the timing and the amount of payments to facilitate a borrower's understanding of the loan's terms and features.

¹ The agencies include the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency. The SLC is a member of the Federal Financial Institutions Examination Council.