



STUDENT LOANS

## Discover Student Loans—General Information

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**Lender:** Discover Bank

**Lender ID:** 831312

**Lender Address:** Discover Student Loans  
2500 Lake Cook Road  
Riverwoods, IL 60015

**Program:** Discover Student Loans

**Customer Service:** 1-877-728-3030

Option 1: General information for students and parents  
Option 2: Current customer to apply by phone  
Option 3: Existing applicants or borrowers  
Option 4: School financial aid professionals

Fax: 1-877-239-8214

E-mail: [Service@DiscoverStudentLoans.com](mailto:Service@DiscoverStudentLoans.com)

Web: [DiscoverStudentLoans.com](http://DiscoverStudentLoans.com)

Hours of Operation: 8:00 a.m. and midnight (ET), 7 days a week

### Repayment Assistance:

Grace Period Team: 1-866-254-4254

Repayment Team: 1-877-321-5017

Fax: 1-801-996-2451

Hours of Operation:

- Monday–Friday, 8:00 a.m.–10:00 p.m. (ET) for inbound and outbound calls
- Saturday 8:00 a.m.–2 p.m. (ET) and Sunday 9:00 a.m.–3:00 p.m. (ET) for outbound calls

**Borrower Correspondence:** Discover Student Loans  
PO Box 30947  
Salt Lake City, UT 84130-0947

**Primary Contact for RFI Process:** Sylvia Jones  
Discover Student Loans  
50 Wadley Station Lane  
Macon, GA 31210  
[sylviajones@discover.com](mailto:sylviajones@discover.com)  
1-478-992-8422

**Current School Profile:**

- ELM for certifications
- ELM NDN for disbursements

## Company Background

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### Company market position

Discover Student Loans was launched in July 2007 and is supported by the financial strength and experience of our parent organization, Discover Financial Services. Since our company's inception in 1986, we have been a leading innovator and driver of change in consumer finance. Our track record of pioneering accomplishments includes the first credit card with no annual fee and cash rewards that never expire as long as the card is in use. We were one of the earliest card issuers to offer 24/7 customer service and secure account numbers for online purchases.

Now, we are building on the success and expertise we have developed over the past 24 years to bring the same spirit of pioneering change to the student loan industry. We designed our student loan program to:

- Provide affordable loan options for families, including hassle-free rewards and Certified Private Loans with zero origination and zero prepayment fees
- Encourage responsible borrowing, by requiring school certification and school disbursement
- Build on our reputation for award-winning customer service by selecting student loan servicing partners with exceptional service reputations
- Offer an industry-leading reward program with high redemption rates, through the Graduation Reward on Certified Private Loans—a 2% cash reward on the outstanding principal balance of the Certified Private Loan at graduation.

### Indicate the current mission and goals of your organization.

**Our Mission:** To help people spend smarter, manage debt better and save more so they achieve a brighter financial future

**Our Vision:** To be the most rewarding relationship consumers and businesses have with a financial services company

### Do you cross-sell your banking products to students?

While we do not market credit cards to our student loan borrowers while they are in school, we may elect to market banking-related products that are relevant to our student loan borrowers and their financial needs (e.g., checking or savings products). Any such offer would be consistent with our Company's core vision, which is to become a trusted advisor of financial products that empower its customers to achieve a brighter financial future.

Should borrowers not wish to receive such marketing solicitations, they always have the ability to opt out.

Since our company's mission includes empowering our customers to make financial progress, we hope to be a trusted provider of financial products with competitive rates and great service as students enter the work force and their needs change.

## Certified Private Loans

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### Describe your Certified Private Loans.

We offer Certified Private Loans for undergraduate and graduate students to supplement their other sources of financial aid.

We require school certification to confirm enrollment and ensure borrowing is based on the cost of attendance less other sources of aid – the amount needed, not more. With respect to enrollment, there is no minimum credit hour requirement. Students who are enrolled at least half-time receive automatic in-school deferment. Half-time enrollment is determined by the school.

We recommend an adult cosigner for Certified Private Loans to increase the likelihood that the student makes an informed decision to take the Certified Private Loan. By recommending a cosigner for the duration of the loan, we reduce default risk and therefore can price our loans more affordably. Creditworthy applicants have the option to apply without a cosigner. However, adding a cosigner may reduce their interest rates.

We also disburse funds through the school and request the school to provide the disbursement schedule. This helps ensure that funds are used for education-related expenses and helps ensure that interest does not accrue unnecessarily for months before school begins. Loans can be certified for balances incurred within the last six months. As with all of our Certified Private Loans, certification is required by the financial aid office and funds are disbursed through the school.

### Private Loan Terms:

- Variable interest rates from Prime Index plus 0.50% to Prime Index plus 6.25%, based on credit evaluation
- 0.25% Auto Debit Reward
- Zero origination fees
- Zero payments until 6 months after graduation (9 months for graduate students) or enrollment in school less than half-time
- 15 year repayment period (20 years for graduate loans)
- 2% Graduation Reward based on outstanding principle balance
- Loans up to 100% of Cost of Attendance minus other aid, based on school certification

### Eligibility:

To be eligible for our Certified Private Loan, the student borrower must be:

- US citizen or a permanent resident
- Enrolled in a 4- or 5-year undergraduate degree program or a graduate degree program
- Degree-seeking
- Making satisfactory academic progress (SAP), as defined per school
- In good credit standing (i.e., pass a credit check)

We recommend that students add a cosigner, which could improve their chances for approval and may reduce the interest rate for a loan.

Cosigners must meet the following requirements:

- US citizen or permanent resident
- At least 18 years old
- Must pass a credit check

### **Approval Criteria:**

We determine Certified Private Loan eligibility based on the following:

- Evaluation of student applicant's credit
- Evaluation of cosigner applicant's credit (if a cosigner is added)
- School certification

Credit criteria include:

- Combination of FICO score and proprietary underwriting score – the dual-score approach improves the quality of credit decisions
- Credit history – student and cosigner credit is reviewed for any severe negative information such as: bankruptcy, foreclosure, repossession, or charge-off.

Please note that there is no minimum income requirement for the borrower associated with our loans. Since loan approval is based on a combination of factors and is proprietary, we are unable to release detailed information.

### **Loan Limits:**

Our Certified Private Loan limits are:

- Minimum: One-time minimum of \$1,000. No minimum on subsequent loans.
- Maximum: The annual maximum loan amount is the cost of attendance minus other aid, as determined during school certification.

### **Interest Rates and Fees:**

The interest rate is equal to the Prime Index plus Margin. The Prime Index adjusts quarterly on each January 1st, April 1st, July 1st, and October 1st and is the highest rate of interest listed as the prime rate in the Money Rates section of The Wall Street Journal on the first Friday of the last month of the previous quarter. The Margin ranges from + 0.50% to + 6.25% based on credit evaluation and is set at the time of loan origination. The interest rate is capped at 18%, regardless of the Prime Index and Margin value.

For the second quarter of 2011, the Prime Index is 3.25%.

There are zero origination and zero prepayment fees for Certified Private Loans, and these benefits are automatic with 100% of borrowers qualifying.

Other possible charges include the Late Charge and the Returned Check Charge. The Late Charge is the greater of five dollars (\$5.00) or five percent (5%) of the entire payment that was not paid in full. It is capped at \$50 per month. With monthly payments, a charge could be assessed a maximum of 12 times per year, but not more than once per incident. The Returned Check Charge is ten dollars (\$10.00). We include these nominal charges to discourage poor payment behavior.

**Deferment:** Borrowers who are in school at least half-time can qualify for deferment. We also offer the following types of deferment:

- In School (Unlimited)
- Active Military Duty (36 months)
- Residency (36 months)
- Public Service (36 months)

**Forbearance:** Borrowers can request a discretionary forbearance up to six months due to the following temporary hardships:

- Unemployment
- Economic hardship
- Excessive student loan burden
- Medical disability
- Natural disaster

We have zero fees for loan deferments or forbearances. Interest will continue to accrue during any deferment or forbearance period.

### **Repayment:**

Our Certified Private Loans have automatic in-school deferment while the student is enrolled at least half-time. Following graduation or enrollment less than half-time, the grace period is 6 months for undergraduate loans and 9 months for graduate loans. At the conclusion of the grace period, the repayment phase begins and is scheduled for 15 years for undergraduate loans and 20 years for graduate loans.

The student always has the option to make payments ahead of schedule without penalty. We encourage borrowers to make payments while in school to reduce their overall cost of borrowing. We send quarterly statements to students and cosigners that will help them understand their loan debt, accruing interest, and payment options if they would like to begin payments while in school.

### **Benefits:**

We honor the benefits we advertised for existing loans, even if we change our benefit policies for new loans.

Our benefits of zero origination and zero prepayment fees for private loans are automatic and 100% of borrowers qualify.

**Auto Debit Reward**—An eligible borrower receives 0.25% repayment interest rate reduction when payments are set up for recurring automatic debit from a bank account during the repayment phase. To be eligible to receive the Auto Debit Reward, all of the following conditions must be met:

- The loan is in the repayment phase (the Auto Debit Reward does not apply during the deferred phase or during prepayment)
- The loan is not in default
- The borrower has not returned payments
- The borrower is enrolled for recurring automatic payments from a bank account

If the borrower has three returned payments for non-sufficient funds, we will cancel automatic payment enrollment and remove the Auto Debit Reward. Once lost, the Auto Debit Reward cannot be regained. The borrower may re-enroll for automatic payments by resuming recurring payments through automatic debit from a bank account, but will not receive the Auto Debit Reward.

Please see [DiscoverStudentLoans.com](https://www.methodist.edu/discoverstudentloans.com) for the full Auto Debit Reward Terms and Conditions.

**Graduation Reward**—An eligible borrower receives a cash reward, calculated as 2% of the outstanding principal balance of the loan on the last day of the month of graduation. To be eligible:

- The student must graduate from the degree program that the loan was used to fund.
- The graduation date must be more than 90 days and less than six years after the date of the loan's first disbursement.
- The loan must not be in default on the graduation date.

Upon graduation, if borrowers have more than one participating loan, they may be eligible to receive a Graduation Reward on each loan. However, they will not receive a Graduation Reward more than once for the same loan, even if they receive more than one degree. We may request proof of the graduation date and degree from the student or school to confirm eligibility for the Graduation Reward. If borrowers default on their loan or consolidate or refinance the loan with another lender prior to redeeming the Graduation Reward, they will not be eligible for a Graduation Reward.

Borrowers must redeem their Graduation Reward in full in a single redemption transaction, and may choose from either a credit to the balance of any of their Discover Student Loans or an electronic deposit into a bank account.

Please see [DiscoverStudentLoans.com](https://www.discover.com/education/student-loans) for the full Graduation Reward Terms and Conditions.

### **Can a student enrolled less than half-time qualify for a Certified Private Loan?**

Yes, students can be enrolled less than half-time and borrow a Certified Private Loan. We do not have a minimum credit hour requirement. Students who are enrolled at least half-time receive automatic in-school deferment of both principle and interest payments.

### **Can a student borrow for past-due balances? How old can the balances be?**

Students can take a Certified Private Loan for previous balances up to 6 months from the end of the loan period. Students are not required to be currently enrolled; however, the loans will enter repayment following a grace period of 6 months for undergraduate loans and 9 months for graduate loans if the student is not in school or is enrolled less than half-time.

### **When do you capitalize interest during periods of deferment or forbearance?**

We capitalize interest at the start of repayment and at the conclusion of any subsequent deferment or forbearance period. At that time, we send a new repayment schedule to the borrower that discloses the capitalized interest and monthly payment amount.

## Customer Service

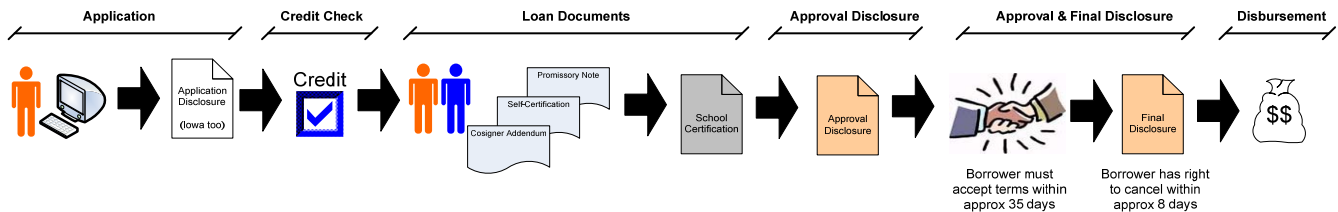
### Describe your application process and turnaround time for private loans.

Students can apply online ([DiscoverStudentLoans.com](http://DiscoverStudentLoans.com)), by phone, and through the mail. Once we receive a completed application, we can quickly pull a credit check and make an immediate credit decision for online applications. We can also give an immediate credit decision for phone applications for students. If the student applies by mail, we manually enter the application in the system and run a credit check at that time. We notify the student of the decision via phone, mail, or e-mail.

The following diagram illustrates the application flow for Certified Private Loans:

**1-877-728-3030**

**DiscoverStudentLoans.com**



**Students can e-sign the Self-Certification Form at DiscoverStudentLoans.com or mail original, complete forms to:**

**Discover Student Loans  
PO Box 30947  
Salt Lake City, UT 84130**

The applicant has 120 days from the time they submit an application to complete all the subsequent steps. This includes applicants providing a signed promissory note and Self-Certification Form. If applicants have a cosigner, then the cosigner must sign the Cosigner Addendum, as well. We offer e-sign for the application and promissory note, the Self-Certification Form, and the Cosigner Addendum to help expedite the process.

Under Regulation Z, applicants have at least 30 days to accept the terms of the loan. Once they accept the loan and return all required documents, we can approve the loan. Loan approval requires a positive credit check, a signed promissory note, a signed Self-Certification Form, a signed cosigner addendum (if applicable), and school certification. Once approved, we mail applicants the Final Disclosure, and they have at least three business days to cancel the loan. No disbursements can be made during this time.

It is our goal to finalize the application as quickly as possible. However, the total time from application through disbursement could range from a few weeks to several months, depending on the responsiveness of the applicant in completing all of the required steps. We offer e-sign for the application and promissory note, the Self-Certification Form, and the Cosigner Addendum to help expedite the process. We also have a contact strategy for applicants who have not completed these steps to help prevent their loan from canceling. This includes making calls and sending letters and e-mails until we receive everything required for loan approval or the applicant asks us to cancel the loan.

**Does your company have a toll-free number for students/parents and the financial aid office to inquire about the status of a loan? If so, what are the call center hours and where is the call center physically located?**

Our customer service representatives are available at 1-877-728-3030 between 8:00 a.m. and midnight (ET) 7 days a week, to handle general inquiries, applications by phone, student or parent inquiries on applications in process or existing loans, or calls from school officials.

Our internal service level standards are to answer 90% of all customer calls within 1 minute, and we manage our abandon rate to less than 3%. Our average speed of answer is approximately 30 seconds.

All borrowers, both in school and in repayment, always have the option to access their account online 24/7 to make payments or make general account updates.

We do not outsource our calls. Our customer service call center is located in West Valley, UT. Our servicer, Great Lakes, is located in Madison, WI.

**What servicing company does your company use?**

We service our student loans through Great Lakes Educational Loan Services Inc (Great Lakes), after disbursement. Great Lakes services student loans for over 1,400 lenders and was designated an Exceptional Performer by the Department of Education. Great Lakes has operated in the student loan industry for over 40 years, and we have been working with them since July 2007.

**How can borrowers contact you?**

Borrowers may contact us by phone, mail, or e-mail. Voice mails and e-mails to [service@DiscoverStudentLoans.com](mailto:service@DiscoverStudentLoans.com) are answered within one business day and typically within a few hours. Similarly, our turnaround for correspondence by mail is one business day.

**Describe your Web-based services for borrowers and financial aid professionals.**

In addition to being able to apply online, our borrowers can access their loan information by logging in to the secure My Account portion of the Web site:

- Borrowers can e-sign Certified Private Loans.
- Borrowers can e-sign or download the Self-Certification Form.
- Cosigners can access, complete, and e-sign the Cosigner Addendum online.
- Borrowers can view loan balance, pricing, and payment information throughout the life of the loan.
- Borrowers can update personal information (phone, address, e-mail, password).
- Borrowers can make loan payments and print forms for deferment.

For schools, we provide secure online access to view loan status, access reports, and certify loans. You can also download a variety of forms and loan documents via our Web site. These include promissory notes, privacy and borrower benefit policies, and deferment request forms.

We can customize your school's setup to provide a variety of reports on applications in process and disbursed loans via our Web site or via e-mail. Some examples include detailed reports with borrower information, loan statuses, and delinquent account information. We can also provide ad hoc reports upon request.

### **Describe your options for certification and disbursement.**

We support a variety of options for loan processing and disbursement. It is our intent is to match your school's processing preferences.

**Certification** – Options for certification include:

- Electronic processing via a third-party such as ELM, Great Lakes ScholarNet, eCourier, and OpenNet
- Electronic processing directly with your School Based Software (SBS), using Common Line Version 4 standards
- Online certification via your secure login at our Web site
- Paper/fax certification if your school prefers

**Disbursement** – We can disburse funds directly to your school according to your preference:

- Central disbursement via a third-party agent such as ELM NDN or Great Lakes CDS
- Electronic funds transfer directly to your school's designated bank account
- Paper check addressed to school or school and borrower

### **Do you provide schools with a dedicated representative to address concerns and or problems?**

Sylvia Jones is the Account Manager dedicated to your school and can be reached at 1-478-992-8422 or [sylviajones@discover.com](mailto:sylviajones@discover.com). Sylvia can answer a variety of questions related to the Discover Student Loans program and facilitate resolution of any servicing issues.

Matthew Parker and Trevor Larson are the School Service Representatives dedicated to your school. They can be reached at 1-877-728-3030, Option 4, or e-mailed at [matthewparker@discoverstudentloans.com](mailto:matthewparker@discoverstudentloans.com) and [trevorlarson@discoverstudentloans.com](mailto:trevorlarson@discoverstudentloans.com). They can answer questions about operations, individual applications, and specific accounts.

## Financial Literacy and Default Prevention

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### **Please describe your company's default aversion initiatives, including financial literacy resources.**

Discover Student Loans is committed to helping our student loan borrowers avoid the negative consequences of delinquency and default.

Because most of our loans have automatic in-school deferment, we send quarterly statements to students and cosigners that will help them understand their loan debt, accruing interest, and payment options if they would like to begin payments while in school. Although we do not require payments while enrolled at least half-time, we advise students and cosigners that they can reduce their total cost of borrowing by making payments before their loan enters repayment. This proactive approach helps mitigate delinquency and ensures a successful repayment phase.

We take a multi-level approach to helping borrowers in regards to financial literacy, default prevention, and debt management:

1. Educational tools on our Web site
2. Conservative underwriting practices in our loan approval process
3. Proactive default prevention activities

#### **1. Web site Educational Tools: Financial Literacy**

Our Web site includes a section titled Borrowing Responsibly to help educate students and their families about financial aid options and the importance of managing credit wisely. Topics currently include:

- Understanding an award letter
- Loan options for families
- The importance of good credit
- Glossary of financial aid terms
- Loan repayment calculator
- Links to external financial aid and scholarship Web sites
- Link to the government's FAFSA Web site
- Information on managing credit, including: how to monitor credit, report errors, and protect your identity

We have sponsored the educational video, Borrow Smart: Kiplinger's Guide to Student Loans to help students learn more about federal and Certified Private Loan options and considerations that should be made before applying for a loan. This video is viewable at [www.Kiplinger.com](http://www.Kiplinger.com) or <http://www.discoverstudentloans.com/borrowing-responsibly/borrow-smart-video.aspx>.

We have also provided the College Loan Planner to help students understand the costs of attending college and ways to cover their funding gap. This can be viewed by visiting <http://www.discoverstudentloans.com/borrowing-responsibly/borrowing-responsibly-overview.aspx>.

#### **2. Private Loan Underwriting Criteria and Approval Practices**

Our underwriting criteria and approval process are designed to help students supplement other sources of financial aid while keeping the amount of debt incurred to a minimum. We utilize a proprietary underwriting score in addition to industry-standard, FICO-based decisioning, to improve the quality of credit decisions.

We also recommend an adult cosigner for Certified Private Loans to increase the likelihood that the student makes an informed decision to take the Certified Private Loan. By recommending a cosigner for the duration of the loan, we reduce default risk and therefore can price our loans more affordably.

Creditworthy applicants have the option to apply without a cosigner. However, adding a cosigner may reduce their interest rates.

These up-front private loan–underwriting criteria supplement back-end default prevention activities performed by Great Lakes as our servicer.

### **3. Default Prevention Activities**

We maintain regular communication with student borrowers and cosigners so that they understand the amount of debt accruing and options for prepayment without penalty. We also provide a Repayment Assistance department that contacts borrowers before and during repayment to deliver support and identify solutions for a successful repayment phase.

## Closing

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Discover Student Loans is committed to providing the best loan products and services to its borrowers. We are also very serious about our commitment to work closely with schools to understand the needs of their financial aid offices. We hope that the benefits and strengths of our program are evident from the responses within this survey and our cover letter. We are interested in any feedback you have on how we can improve our program and services to better meet the needs of your students.

We appreciate the opportunity to provide information on Discover Student Loans and look forward to working with you.