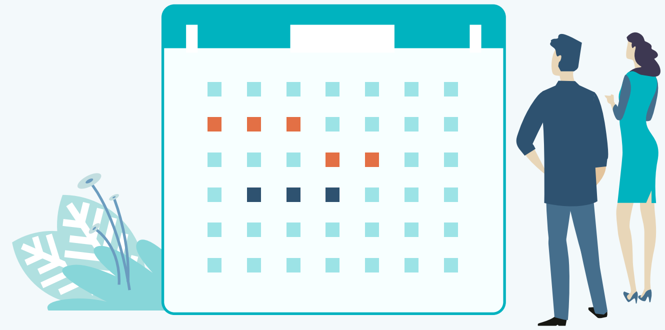
Upcoming Changes to the Private Student Loan Interest Rate Index



Soon, part of the way the interest rate is calculated on your private student loan will change.

This is a necessary change that impacts many loans with variable interest rates. Congress has determined that the new rate benchmark is comparable to the previous one. That means the new rate should not change how much you pay over time, on average. And. the new rate does not impact any other terms, conditions, or benefits associated with your student loan.

What is changing?

The benchmark used to calculate the variable interest rate of your student loan will change from the London Inter-Bank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR).

Following the direction of Congress, most LIBOR-based loans are transitioning to using SOFR. Since this is a shift to a SOFR-Based Spread-Adjusted Index, this is not a refinance of your student loan; it is merely a change to the benchmark we use to determine your variable interest rate. This will happen automatically, and you should not notice a difference in the way we service your loan.

You aren't alone. This change impacts millions of borrowers like you, with all lenders across the country.

What happens next?

We will notify you when we make the change to using SOFR.

You will receive a formal notification of this change several months in advance of the effective date. That letter or email will explain the change in your loan's benchmark index and answer basic questions. We will also send several reminders in advance of the effective date, to ensure you have the information you need. To learn more, visit https://slsa.net/libor-to-sofr/.

What do I need to do?

You do not need to do anything today related to this change.

We will handle the transition for you, just as the entire banking and lending industry is doing for all their customers. Make sure to read the communications from your servicer. We will send you updates about this topic so you can understand the scope and timing of the rate change. You can also check your servicer's website to learn more.

Will my monthly payment change?

On average, your new interest rate should be comparable to the old rate. That means you will generally pay the same amount that you would have before the change.

As a variable rate loan, your monthly payment amount has changed on a regular schedule since your loan was disbursed. It will continue to change on a comparable schedule according to the terms and conditions of your loan. Only the benchmark used to calculate the variable interest rate will change.

What is my new interest rate?

Your interest rate remains variable. It will change with a frequency comparable to how it changed before, based on the terms and conditions of your loan.

We will calculate your interest rate using the SOFR-Based Spread-Adjusted benchmark index plus whatever margin you originally agreed to when taking out the loan.

Will this impact my other student loans?

Federal student loans are not impacted by this change. Those loans have interest rates set by law, so no update is needed.

Other private education loans may be impacted. If your loans used LIBOR, they will change to a new benchmark index.

Where can I go to see the new SOFR rate?

https://www.refinitiv.com/en/financial-data/financial-benchmarks/usd-ibor-cash-fallbacks

Can I opt-out or are there other options?

No, you cannot opt out. LIBOR will not be available after June 30, 2023, and Congress has provided the guidance on how we can adjust the benchmark for your loan. This ensures that both you and your loan holder have a predictable and stable way to calculate your rate.

Other new loans may have a different benchmark, so you can always explore your refinancing options. A new, refinanced loan will have its own interest rate calculation (still not LIBOR), but your new lender may use an option other than one that is SOFR-based.

Could this happen again?

Federal regulators and Congress took steps to reduce the chances of the benchmark changing again. Although there is always the possibility of a similar change in the future, you should not experience any disruptions.

Additional **Questions:**

Over the past several years, the LIBOR benchmark has become less reliable and more prone to issues. As a result, experts like the Alternative Reference Rates Committee identified several alternative methods to calculate interest rates. Since then, regulators and Congress have laid out a plan to transition away from LIBOR. You should see this change reflected in financial markets and on your variable interest rate loans by the middle of 2023, at the latest.

Why SOFR?

In 2022, Congress passed a law that made SOFR the preferred alternative to USD LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight – it is comparable to LIBOR. It is collateralized (made secure) by U.S. Treasury securities in the financial market. To adjust for small differences between LIBOR and SOFR, Congress also legislated a spread adjustment to make them even more comparable; that new benchmark is known as the SOFR-Based Spread-Adjusted Index.

How does SOFR differ from LIBOR?

SOFR has several characteristics that make it much safer and more stable than LIBOR. It is:

- Based on an active underlying market with a diverse set of borrowers and lenders
- Based entirely on transactions (not estimates)
- Produced in compliance with international best practices
- Included in multiple market segments, to ensure robust transaction volumes in a wide range of market conditions

STUDENT LOAN SERVICING ALLIANCE