

Georgia Student Loan Pilot Call for Ideas FAQs (as of October 16, 2018)

Frequently Asked Questions

1. Is there any statistics on employment of graduates – e.g. companies they are employed, average net salaries?

ANSWER: *As of October 2018 SDSU-G program does not have graduates; cohort 1 students will graduate in June 2019. We have seniors (4th grade students) only.*

2. What the maximum loan portfolio can be for 2019 -2020 academic year?

ANSWER: *An initial external assessment indicates that a portfolio size would be approximately ~1 MIL USD annually, and could be as large as 3 MIL USD. However, MCA-G would defer to lending institutions to assess and develop their own portfolio estimates and sizes based on the appropriate risk profiles.*

For additional context, please see below for a table that includes the current SDSU student break-down. SDSU and partner universities are available to share additional information with lending institutions regarding student current and future student projections and profiles.

Program name	Enrollment of 2015 - 16 (Cohort 1)	Enrollment of 2016- 17 (Cohort 2)	Enrollment of 2017- 18 (cohort 3)	Enrollment of 2018- 19 (cohort 4)	Total/ სულ	Projected Enrollment of 2019-20 (cohort 5)
Electrical Engineering	15	14	25	19	73	30
Comp Engineering	31	24	27	53	135	40
Chemistry/ Biochemistry	16	26	29	61	132	40
Comp Science	N/A	36	47	75	158	0
Civil Engineering	N/A	1	19	15	35	40
Construction Engineering	N/A	2	11	7	20	0
Total	62	103	158	230	553	150

3. In case of the non-adult students, if the loan is issued on students’ family member, how (if) the loan securing offered by you will work? (To secure the 50% of the loan by the deposit)

ANSWER: *All students are adults (over age eighteen). MCA-G, through this Call for Ideas, is interested to hear from the financial sector and potential lending institutions on best means to secure student loans outside of the current practice of additional family member collateral/deposits. As a means to catalyze the student loan pilot, MCA-G has indicated that it is willing to consider the use of a guarantee mechanism to de-risk the pilot loan portfolio and would potentially approved the dedication funding resources to secure that guarantee mechanism. This guarantee mechanism could be delivered through a number of modalities, none of which have been finalized as of yet, but for illustrative purposes could be a stand-by letter of credit or a pool of monetary resources secured in escrow to which participating lenders could access (up to a capped amount yet to be determined) should a loan fall into default. As a possible scenario, lending institutions would potentially be eligible to recoup 50% of a loan that has entered default. MCA-G believes that this guarantee mechanism would be part of a holistic de-risk approach to identify best loan candidates, develop appropriate loan levels at attractive interest rates, and include support to enable students to manage their financial obligations.*

4. What is a scenario, if student terminates study process? How the loan securing will work? Who is responsible to cover the loan?

ANSWER: *Please see answer to #3. Additionally MCA-G believes that lending institutions are best placed to build and manage a portfolio that generates sufficient sustainability to cover non-performing loans. MCA-G believe in cost sharing to catalyze a student loan pilot, but that eventually, as the financial sector develops appropriate risk analysis, it would operate on a cost recovery basis.*

5. How do you see the period of loan securing- Is it possible to secure the whole period of the loan- 5 years of grace period plus scheduled payments period of 6-8 years?

ANSWER: *Please see the answer to #3. In addition to that response, MCA-G has not made a final determination on the exposure period to which the guarantee mechanism would cover against the full loan tenure. MCA-G could (most likely) concur that the guarantee coverage applies over the entire loan period (including grace period). However, it may also decide that the most beneficial period would be up until loan repayment begins by the borrower in an effort to generate most loans generated and thus most developmental impact. Once again, MCA-G is keen to hear from potential partners as to best potential solutions during this Call for Ideas process.*

6. Is it possible to disburse the loan by tranches - each year 1 tranche, according to the annual cost of a program?

ANSWER: *MCA-G, through this Call for Ideas, defers to the lending institutions to propose the solutions that fit best in Georgia. However, MCA-G believes that tranching funds on an annual or semi-annual basis would align with student enrollment, and could make logical sense for all interested parties. Normally, students are requested to pay tuition twice per year, before the start of the semester.*

7. What are the circumstances when bank is authorized to use the amount deposited in the bank account to repay the loan? If some of the amount is used by the bank, is the student obliged to MCA somehow and what is the role of the bank?

ANSWER: *MCA-G defers to the lending institutions to propose solutions that fit best. MCA-G can say that the students, regardless of which university/educational institutions they are enrolled, would not be financially obligated in any way to MCA-G.*

8. Can you share the study/statistics about average salary income of the experts employed in the field your University is preparing (after the graduation). The information will be necessary to plan the student loan repayment schedule after the graduation. Monthly loan payment should correspond to graduates income to be affordable for them.

ANSWER: *MCA recommends contacting GeoStat for this information at this time. Additional details on projected income for current SDSU students may be provided during the next step of the student loan facility pilot selection process.*

9. Do you consider the University as an involved body in student finance decision making? Yes. Would you be ready to give your recommendations according to students' academic success while making decision on student loan? Will you share students' academic records during loan approval process?

ANSWER: *MCA-G defers to the lending institutions to propose the most suitable solutions. MCA-G believes that the student and lending institution would need to communicate directly. The university may have a role in providing this information. In exploring a student loan pilot, the idea of a university financial aid officer is something we are interested in exploring.*

10. Would MCA deposit the contribution on loss insurance on bank's account in advance? E.g. upon the student loan is issued.

ANSWER: *MCA-G plans to work with selected lending institution to determine how the guarantee will be administered. Those funds, or that guarantee mechanism, could be entrusted to a third party.*

11. What is the potential number of students possibly applying for student loans studying in (San Diego State University-Georgia (SDSU-G) dual degree bachelor's programs)? Number of students, % of students who don't have grant from government, or university, and need financing from bank?

ANSWER: *All students listed in the table above receive a grant of at least 2250 GEL from the Georgian government, annually, as a minimum. The average scholarship amount provided to students is approximately 80% of annual tuition.*

12. More clarification to a first loss credit guarantee, technically how are you going to provide this credit guarantee? How it will be ensured in case when execution of guarantee will be needed after the end of the mission of Millennium Challenge?

ANSWER: *This is yet to be determined. However, at this time, we do not think that it is critical to define the mechanics of the first loss guarantee, but rather, would note that a mechanism would most likely exist and would continue beyond the Compact term. The successor entity will ensure that projects and activities launched through MCC and GOG funding for the MCC Compact II are sustained. MCA-Georgia assets will be transferred to a successor entity after the MCC Compact ends.*

13. Question about: An effective interest rate to be paid by the student borrowers that does not exceed 12%. This interest rate how did you determined?

ANSWER: This is an indicative interest rate for illustrative purposes. However, MCA-G's broader intent is to state that currently, interest rates for loans available to students are too high. The purpose of this call for ideas, and the intent of a student loan pilot, is to catalyze lending at a significantly lower interest rates for students. To that broader objective, a target interest rate could be in the ~8-12% range.

14. MCA-G and MCC anticipated that the student financing facility will require: Access to long-term, inexpensive, Lari-denominated funds to a financial institution for on-lending to students. Do you consider to have a mechanism to subsidize long term Lari Denominated student loan?

ANSWER: MCA-G does not believe that it is an appropriate role to subsidize, low interest Lari-denominated facilities. MCA-G's broader intent was to state that it believes this would be a fundamental part of a successful pilot. This was mainly for illustrative purposes.