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Servicing Alternative Student Loan ABS – Part 2

DBRS's 6/20 newsletter reviewed key similarities and differences between the servicing requirements for "alternative" (private) and U.S. government guaranteed (FFELP) student loans. This article examines the top alternative student loan servicers and their rankings as measured by the unpaid principal balances of alternative loans serviced as of YE04.

Alternative Student Loan Servicer Rankings

In ranking alternative student loan servicers, DBRS relies on data provided by the Student Loan Servicers Alliance (SLSA). The SLSA describes itself as "a non-profit, membership organization of student loan servicers and software providers in the U.S. Department of Education FFEL and FDL programs." Thirty-seven SLSA members contributed servicing data for their year-end 2004 report, which is the primary source of this newsletter. SLSA members report that, together, they service over 90% of all outstanding student loans.

The following table ranks the top 10 servicers by the amount of principal outstanding on loans serviced as of Dec. 31, 2004. To provide a more complete profile of the top 10 alternative student loan servicers' respective capabilities and market focus, DBRS has included data for the other major categories of student loans serviced by these servicers (FFELP, Perkins, and Other). "Other" includes several specialized areas of student loan lending and servicing. However, the largest component by far within this category is the servicing of Federal "direct" student loans, none of which are securitized.

	Servicer	Alt	% Alt	FFELP	Perkins	Other	Total
1	Sallie Mae Svc.	\$13,579	35.9%	\$95,986	0	\$971	\$110,536
2	AES/PHEAA	7,553	20.0%	20,629	0	917	29,100
3	Citigroup	3,648	9.6%	15,112	0	0	18,760
4	Great Lakes ELS	2,975	7.9%	18,955	0	0	21,930
5	Wells Fargo EFS	2,518	6.7%	7,790	0	0	10,308
6	Kentucky HESLC	2,203	5.8%	4,144	0	0	6,347
7	ACS	1,007	2.7%	19,963	2,864	81,627	105,461
8	Brazos HESC	866	2.3%	8,173	0	0	9,039
9	Iowa SLLC	766	2.0%	1,588	0	0	2,354
10	Alaska CPE	574	1.5%	35	0	0	609
	Total Top 10	\$35,690	94.3%	-	-	-	-
	Grand Total	\$37,830	100.0%	\$253,472	\$2,868	\$83,560	\$377,730

As of year-end 2004, member servicers of SLSA reported over \$377B of total unpaid principal balance of student loans being serviced, of which more than \$37B (10%) were alternative loans. These numbers do not include another \$6.9B of non-SLSA member servicer serviced student loans using SLSA systems. All of the top 10 alternative student loan servicers are active FFELP loan servicers. The top 10 alternative student loan services account for over 94% of the loans serviced within this category, and the top five servicers cover 80% of loans serviced.

Future chapters of our alternative student loan series will discuss individual servicers in greater detail and will address other aspects of the industry.