

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

February 10, 2015

To State Member Banks, Banking Holding
Companies, Financial Holding Companies, and
Foreign Banking Offices in the Twelfth
Federal Reserve District

Guidance on Private Student Loans with Graduated Repayment Terms at Origination

On January 29, 2015, the Federal Reserve, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency, in conjunction with the State Liaison Committee (SLC) of the Federal Financial Institutions Examination Council, issued [guidance](#) to provide principles that financial institutions should consider in their policies and procedures for originating private student loans with graduated repayment terms.

The agencies and the SLC recognize that the competitive job market, traditionally low entry-level salaries, and higher student debt loads can contribute to some borrowers preferring greater flexibility with their payments as they transition into the labor market. Graduated repayment terms may align borrowers' income levels with loan repayment requirements, provide flexibility to repay the debt sooner if borrowers' incomes increase more quickly than projected, and may help long-term probability of full repayment. Financial institutions should prudently underwrite their private student loans in a manner consistent with safe and sound lending practices. Financial institutions should also comply with all applicable federal and state consumer laws and regulations, including providing disclosures that clearly communicate the timing and the amount of payments to facilitate borrower understanding of loan terms and features.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
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(213) 683-2814

Attachments

Press Release: [Regulators Release Guidance on Private Student Loans With Graduated Repayment Terms at Origination](#)

SR Letter 15-2/CA Letter 15-1, [Guidance on Private Student Loans with Graduated Repayment Terms at Origination](#)