

STUDENT INVESTMENT ACCOUNT ACT

SUMMARY

The Student Investment Account Act (PA 101-586) was spearheaded by Illinois Treasurer Frerichs and signed into law by Governor Pritzker in 2019. It allows the State Treasurer to invest up to five percent of the State Investment Portfolio (approximately \$750 million) in affordable and responsible education loan products such as income share agreements and low-interest loans for Illinois residents with higher education expenses.

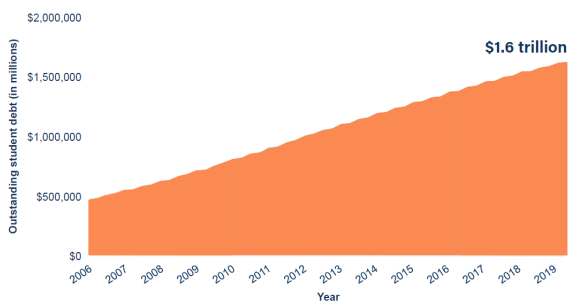
WHY INVEST IN STUDENT LOANS?

By investing with patient, long-term capital, the Treasurer can deliver education finance products and competitive rates that are advantageous to Illinois students. The capital will be used to refinance existing loans at below-market rates, provide capital to underrepresented groups, and deliver promising, innovative tools – such as income share agreements – to finance higher education on borrower-friendly terms.

Student loan debt has been found to delay home purchases, business start-ups, and other major economic investments. Alleviating debt for Illinois borrowers will generate increased personal investment and fuel our state's economic growth. Seventeen percent of Illinois residents – more than 2 million people – carry student loan debt, the median value of which is \$17,748¹. Twelve percent of those borrowers have student loan debt in collections.

The Student Investment Account Act will alleviate student debt burdens in Illinois and make it possible for more students to pursue higher education. It is an investment in Illinois' future.

Nationwide growth in student debt



More than 1-in-5 U.S. consumers have student loan debt

Source: Federal Reserve Board (2019)

HOW CAN I PARTICIPATE?

The Student Investment Account Act is not a direct lending program. Instead, the Treasurer's Office will make investments in existing firms and funds that will lead to the creation of low-interest loans and other products. As the State Treasurer's Office makes investments beginning in 2021, the programs and products developed under the Student Investment Account Act will be featured at IllinoisTreasurer.gov.

THE STUDENT INVESTMENT ACCOUNT ACT IS AN IMPACT INVESTMENT

Financial

It will provide an estimated net annual return of 2-3 percent to the State Investment Portfolio.

Social

It will improve access to higher education for Illinois students and provide refinancing options.

Economic

It will provide families the capacity to purchase homes, start families, save for educations and retirements, start businesses, and invest in their potential.



Michael W. Frerichs
ILLINOIS STATE TREASURER

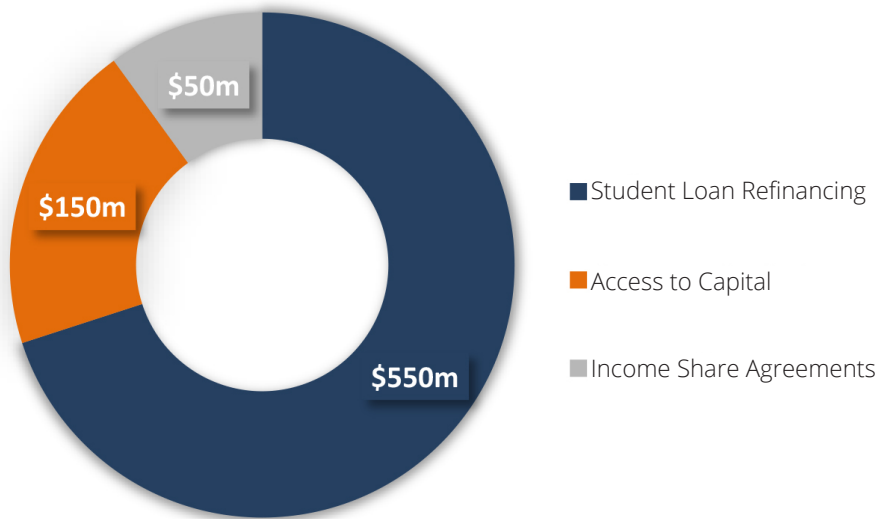
¹Debt in America: An Interactive Map Urban Institute. Dec 2017

PROJECTED INVESTMENT BREAKDOWN

Through the Student Investment Account Act, the State Treasurer's Office will maintain a number of underlying objectives for the investment of capital while targeting a diversified investment portfolio. While subject to change based on feedback and market conditions, initial projections are as follows:

- **\$550 million:** Refinancing of student loans from graduates, providing below-market rates.
- **\$150 million:** Access to capital directed at students from underrepresented groups or households with low incomes or low credit scores. This allocation will provide such students with lower-interest loans.
- **\$50 million:** Income share agreements, which are equity investments based on the graduate's salary and typically require borrowers to pay a percentage of their income post-graduation for a set period of time.

These \$500 million, \$150 million, and \$50 million amounts are expected to be proportionately deployed at one-seventh increments for each portion over seven years. Payments back into the account will fund new investments.



** Amounts above are approximate target allocations for each investment*

HOW CAN FINANCIAL INSTITUTIONS PARTICIPATE?

Financial institutions including, but not limited to, investment banks, student loan servicers, direct lenders, and income share agreement providers interested in collaborating with the State Treasurer's Office to develop, finance or manage a student loan financing product should reach out to SIA@illinoistreasurer.gov.

RFPs, RFIs, and invitations to bid are posted on the Treasurer's Procurement page². To receive automatic email notifications when new procurement opportunities are issued, sign up for the procurement notification system³.

²https://www.illinoistreasurer.gov/Office_of_the_Treasurer/Procurement

³https://www.illinoistreasurer.gov/Office_of_the_Treasurer/Procurement/Procurement_Sign_Up



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