



The Daily Dish

The Student Loan Lender You've Never Heard Of

DOUGLAS HOLTZ-EAKIN | NOVEMBER 19, 2025

Most Americans find financing college education daunting and navigating the student loan world absolutely mystifying. The Biden Administration did nobody any favors by shredding the federal student loan program, although the One Big Beautiful Bill Act attempted to [put it back together](#) somewhat. There are also private-sector lenders in the student loan space, but most people are unaware of the third option: state-based not-for-profit lenders (NFPs).

NFPs are the topic of a recent [primer](#) by Jordan Haring and Thomas Kingsley. NFPs are “mission-driven organizations that prioritize affordability and borrower success over profit maximization.” In the history of federal support for higher education, a key moment was the creation of the [Direct Loan Program](#) in 2010. Prior to that time, lending was dominated by the [Family Education Loan Program \(FFELP\)](#), which featured federally guaranteed student loans. Many NFPs served as secondary markets, guaranty agencies, and lenders under the FFELP.

NFPs operate mainly as state-based education finance entities or as an independent nonprofit organization. Their business model hinges on a cycle of lending, repayment, and reinvestment. As outlined by Haring and Kingsley:

NFPs typically raise capital through [tax-exempt bond issuances](#), enabling them to fund loans at lower interest rates than for-profit financial institutions. Because NFPs can access tax-exempt financing or reinvest their earnings to reduce borrower costs, they are able to provide loans at lower fixed interest rates, with no origination or application fees, and with limited or no repayment penalties. Over time, the repayments on the loans issued by NFPs replenish their capital base, allowing them to continue lending without relying on external profit-seeking investors.

This model is typically focused on improving access to higher education within a state or

region. They may partner with colleges, universities, or state governments, and put affordability and borrower success ahead of profits. NFPs seek reduced default rates while fulfilling a social good.

As Americans face increasingly higher college tuition, it is worthwhile to understand all the available financing options - including NFPs.