

Do you have recent graduates grappling with debt?

Do you have parents asking complicated questions?

Do you have students going on to Graduate School?

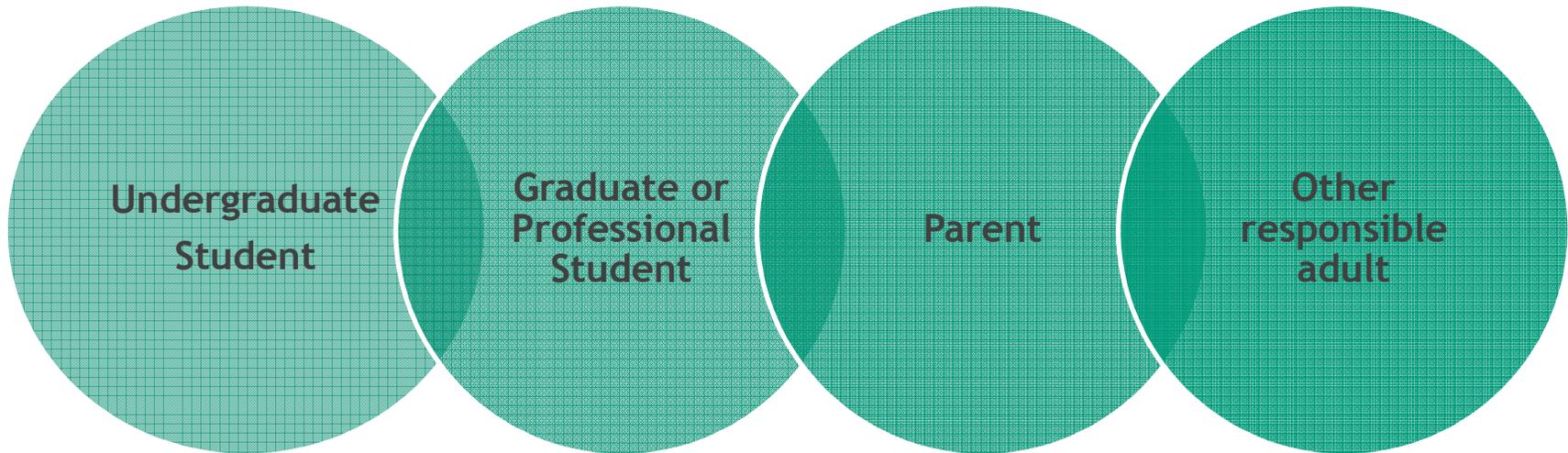
Private Alternative Loans

Changing the Conversation

Donna Shelby, VP
Student Lending
May 2016

Who is doing the borrowing?

Traditional families have changed and vary in their beliefs on who should be borrowing.



Factors to Consider

- Students ability to borrow on their own.
- Students availability of a cosigner.
- Students ability to make payments after graduation.

- Parents willingness to borrow.
- Parents ability to meet credit standards.
- Parents willingness to make payments after graduation.

How involved are parents and or other family members?

Options for Student in College or going to Graduate School

- Financial Aid
- Federal Loans
- Private Loans
- Parent Loans
- Home Equity

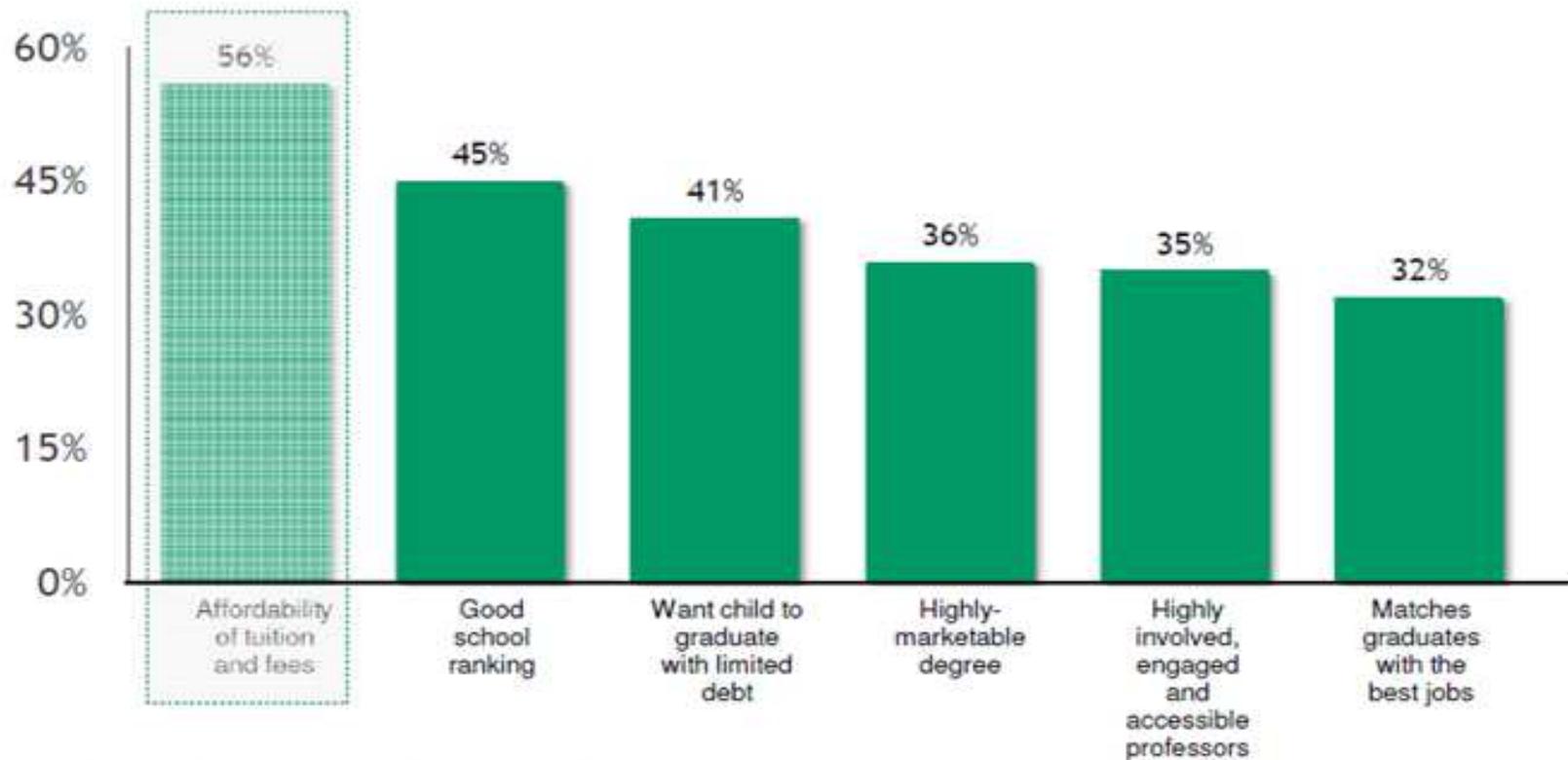
Parent information on FAFSA, cosigner or primary applicant for loans.

Options for Student done with School

- Federal Loan Consolidation
- Private Loan Consolidation
- Parent Loans
- Home Equity

Parent as cosigner for student refinance, or primary applicant for own debt consolidation.

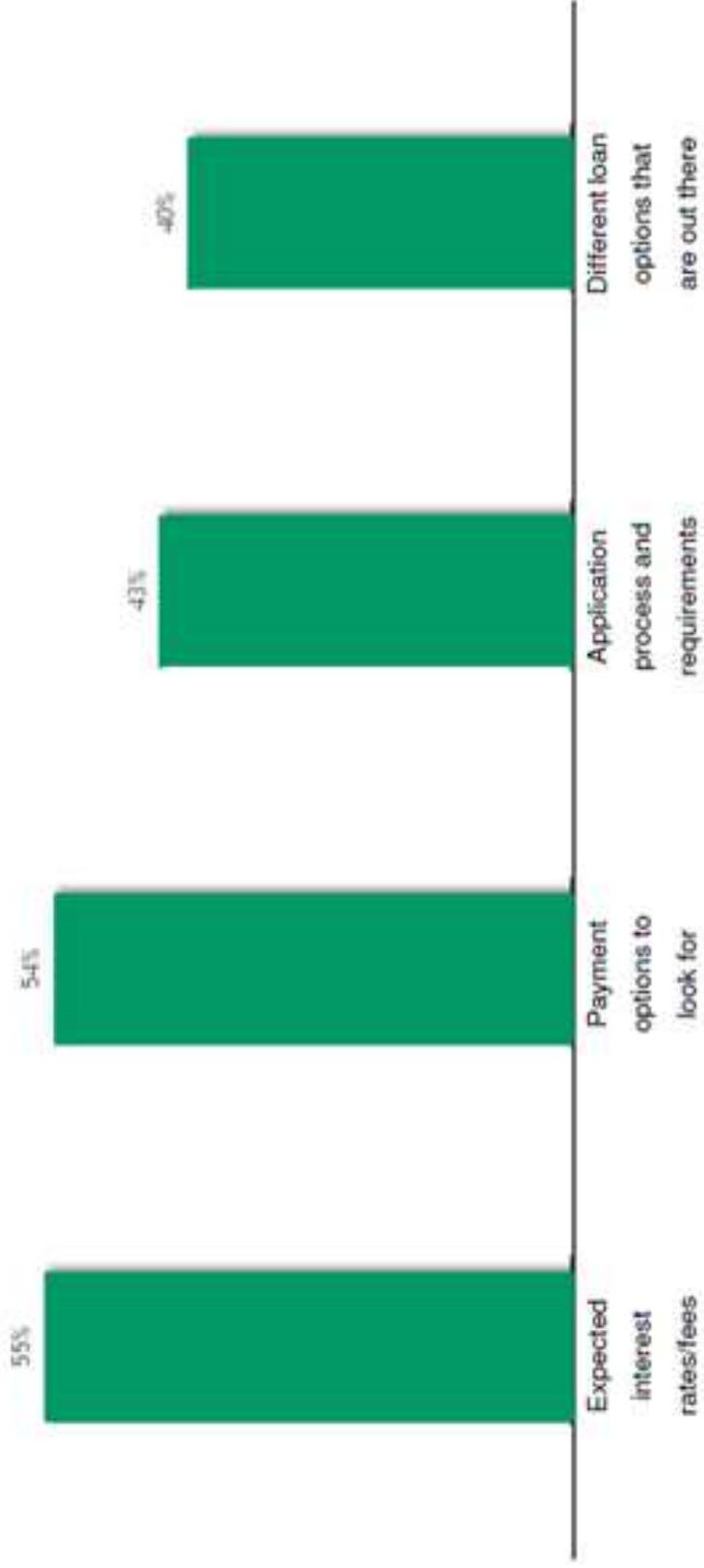
Affordability is the #1 concern: for parents, it is an integral part of the process, not an afterthought



Which of the following sources will or have already influenced your decisions about which school your child will attend?

Survey conducted by Citizens Bank, February 2015

The information they want to know about education finance is straightforward



Q. What type of information would you like to know about student loans?



Federal Direct Student Loans

- Requires completion of the FAFSA annually
- Part of financial aid “package”
- Student borrower - no cosigner, no credit check
- Annual limits on amount
- Fixed Rate - 3.76% UG, 5.31% Grad
- Fees - 1.07%

- May be subsidized
- No payments required while enrolled
- Numerous repayment options
- Loan Forgiveness (for some)



Federal Direct PLUS Loans for Parents

- Parent of Undergraduate Student
- Graduate Students
- Easy to qualify - No adverse credit
- Borrow up to what is needed
- Fixed interest - 6.31%
- 4.27% Fee deducted from proceeds

- Immediate repay or interest only payments.
- Standard 10 year term.
- Many repayment options



Evolution of Private Student Loans

Private Student Loans have come a long way in recent years.

Some of the most notable improvements to Private Student Loans:

- Greater variety of products, rates, and terms
- Lenders promoting responsible borrowing
- Clear disclosures
- Competitive rates available (sometimes lower than federal)
- No fees

- Ease of process
- More benefits for borrowers
- Loan forgiveness in the case of student death or permanent, total disability.

Private Lenders Promote Responsible Borrowing

- Underwriting practices that help avoid the moral hazard of “over-borrowing”
- Requiring school certification
- Incenting good credit with better rates
- Offering Financial Literacy Education and Debt Counseling tools (see example on right)

The screenshot displays the Citizens Bank website's 'Resources' page for students. The page is titled 'Citizens Bank' and includes navigation links for 'Checking & Savings', 'Home Borrowing', and 'Stu'. The breadcrumb trail reads 'Home > Student Services > Student Loan Process > Resources'. The left sidebar lists various student-related services: 'Students', 'Student Loan Options' (with sub-links for 'Student Loan', 'Student Loan for Parents NEW!', and 'Graduate Student Loans'), 'Refinancing Student Loans', 'The Student Loan Process', 'Banking for Students', and 'Access My Student Loan'. The main content area is titled 'Resources' and features a introductory paragraph: 'Student lending is complicated, but these tools will help give you information to make a better decision'. Below this are six content boxes arranged in a 2x3 grid. The top-left box is 'Your Financial Aid Award Letter', which includes a link 'Go to How to Decode Your Financial Aid Award Letter'. The top-right box is 'Frequently Asked Questions' with a link 'Go to FAQs'. The middle-left box is 'Student Loan Help', listing links for 'Student Loan Glossary', 'Understanding Financial Aid', 'Filing your Free Application for Federal Student Aid (FAFSA)', 'Prevent Loan Default', 'Additional Student Loan Articles & Tips', and 'Student Loan Options'. The middle-right box is 'Money Planning for College', listing links for 'Saving for College', 'Student Saving Tips', 'Creating & Using a Budget', and 'Tax Tips'. The bottom-left box is 'Helpful Credit Advice', listing links for 'Establishing Good Credit', 'Maintaining Good Credit', 'Improving Your Credit Score', and 'Student Loan Tax Benefits'. The bottom-right box is 'Preparing for College', listing links for 'The College Search Process', 'What to Look for in a College', 'College Visit Tips', and 'College Student Statistics'.

Private (alternative) Student Loans

- Undergraduate or Grad Student
- Usually requires cosigner (shared responsibility)
- Must credit and income qualify
- Borrow up to what is needed annually
- Some lenders offer Line of Credit or Multi-year Option
- Choice of fixed or variable interest rates
- Rates based on applicant's credit (and loan term)
- No Fees
- Choice of immediate repay, interest only or deferment.
- Repayment options
 - Choice of terms (5, 10, 15 years)
 - Forbearance, deferment, extended grace, and loan modification (in the case of extreme financial hardship).
 - Cosigner Release



Private (alternative) Parent Loans

- Parent or any responsible adult
- Use for both Undergrad and Grad student
- Borrow up to what is needed.
- Fixed interest rate (as low as federal PLUS)
- Variable rates can start lower than federal PLUS
- No Fees
- Must income and credit qualify (affordability test)
- Choice of immediate repayment or interest only payments.
- Repayment options
 - Terms range from 5 to 15 years.
 - Some forbearance, deferment, extended grace, and loan modification (in the case of extreme financial hardship).



After The Graduation Celebration...



Student Loan Debt Can Lead to Financial Pressures and Deferred Dreams

Since 2004, student loan balances have more than tripled, at an average annualized growth rate of about 13 percent per year, to nearly **\$1.2 trillion** through 2014.

Auto Purchase

40% said student loan debt affected decision or ability to purchase a car

Home Ownership

29% said student loan debt affected decision or ability to purchase a home

Marriage

15% said student loans are delaying the decision to start a family

Retirement

41% said they have put off saving for retirement or other investments

Sources: CNNMoney (New York) May 9, 2013; usatoday.com Aug 26, 2014

Loan Consolidation and Refinancing

Federal Consolidation Program*

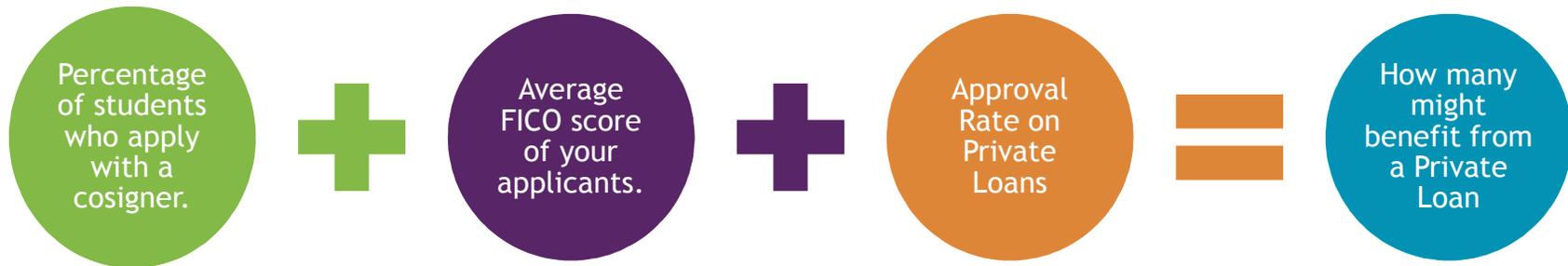
- For Students and Parents
- Minimal credit requirements.
- Fixed rate based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1%
- Only federal student or parent loans may be considered for consolidation- not all loans qualify
- Only available through federal government
- Some repayment options are only eligible under financial hardship.
- Monthly payment may change based on income

Private Consolidation / Refinance

- For Students and Parents
- Interest rates and terms based on creditworthiness
- Choice of fixed or variable interest rates⁴
- May combine both federal and private student loans for consolidation
- Rate discounts are available
- Payment amounts do not change if your income increases
- Student can apply on own or with a qualified cosigner.
- Choice of 5, 10, 15, or 20 year term.
- Cosigner Release option.

*www.studentaid.ed.gov

Consider these factors when looking at your families and their borrowing options.



- Federal Loans for Undergraduate Student first
- Reward graduate students, parents, and other cosigners with good credit - they've worked hard for it.
- Application and approval process can be same day.
- Consider your average federal Direct Parent PLUS loan:

$\$15,000 \times 4.27\% \text{ fee} = \640.00

$\$640.00 \times 4 \text{ years} = \$2,570 \text{ Savings per family!}$

Helping Them Choose the Right Private Student Loan

- Provide direction and a better Customer Experience
- Find the right product for their need
- Help them weigh the benefits and features
- Side by side comparisons
- Access to disclosures for more information
- Implement a recommended or historical lender list.
- Utilize a neutral website such as Fast Choice (Great Lakes) or ELM Select

The screenshot shows the Middlebury College website's loan options page. At the top, there is a header with the Middlebury College logo and contact information. Below the header, the page is titled "Loan Options" and includes a sub-header "Here are loan options for you to explore." A filter section allows users to select a lender (currently set to "all"), student type (Undergraduate or Graduate), and interest rate type (Fixed or Variable). Below the filters, a banner indicates "Select up to FIVE loan products to compare." The main content area displays "Loan Products for Middlebury College" with a search bar and sorting options. A SunTrust loan product is highlighted, showing details like "SunTrust Bank Custom Choice Loan - Fixed & Variable".

The screenshot shows the Syracuse University website's loan options page. The header includes the Syracuse University logo and contact information. Below the header, the page is titled "Undergraduate" and includes a sub-header "When federal loans and other aid do not cover your cost of education, private or alternative educational loans are available." A grid of loan products is displayed, including Citizens Bank, LendKey, SunTrust, Discover Student Loans, Empower Federal Credit Union, and mefa. Each product card includes a brief description, contact information, and a "View Products" or "Apply" button. A "Loan Estimate" button is also visible at the bottom left of the grid.

Are all student loan lenders alike?

Loan Limits

Loan Terms & Repayment
Options

Past Due Balance

Multi-year Option

Parent Loan

Borrower Benefits

Cosigner Release

Consolidation / Refinance

Delinquency/Default/Loan
Forgiveness

Customer Experience

Credit Score & Credit History

- AnnualCreditReport.com or 1-877-322-8228 *free copy of your credit report from each of the 3 bureaus*
- Equifax.com or 1-800-846-5279
- Experian.com or 1-888-EXPERIAN (397-3742)
- TransUnion.com or 1-800-888-4213
- websites such as www.myFICO.com
- If you are denied credit, you may request a copy of your credit report.



Tips

- Read the fine print when pulling a credit score - many consumer sites (such as credit monitoring companies) offer a credit score. This is not necessarily a FICO score.
- Some companies create scoring models with different factors/percentages. The score you are given may not be the FICO score the lenders are seeing.

Additional Loan Approval Factors

- **Income Requirements**

- Verification of stated income
- Minimum income requirements

- **Employment History**

- Length of time with current employer
- Document history of full-time employment (references)

- **Credit Utilization Ratio**

- Percentage of available credit currently in use
- Difficult to determine the right mix



Questions

