



How students can reduce their loan burdens before and after they graduate

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Agenda

- The student debt dilemma
- Repayment options that can help students save during school
- Repayment options that can help students save after school



The CommonBond story

- 2011
 - Founded by three grad school students
- 2012
 - Launch of pilot at UPenn
- 2013
 - National launch of student loan product
- 2016
 - Introduced CommonBond for Business
- Today
 - Lending to 2,000+ schools



Founding team (from L to R):
Mike Taormina, Jessup Shean, David Klein



The student debt dilemma



Student debt has reached new levels in the United States



\$1.4T in outstanding student debt



44M people have student debt



7 out of 10 millennials graduate college with student debt

Sources: Debt statistics - \$1.4T in outstanding debt. MarketWatch; 44M people have student debt and 7 out of 10 millennials graduate college with student debt. Student Loan Hero



It is the single biggest challenge facing millennials today

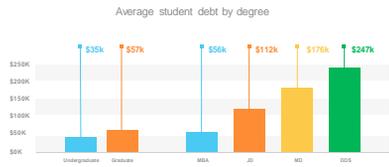
Growth of student debt



Source: <http://www.frost.org/news/student-debt/index.php>



And it is impacting graduates at all levels of education



Sources: Debt statistics - Undergraduates: ESI/vars; Graduates: U.S. News & World Report; MBAs: U.S. News & World Report; Doctors: Association of American Medical Colleges; Dentists: American Dental Education Association; Lawyers: U.S. News & World Report



That debt is having a very real impact on millennials' life and financial decisions

35%
find it difficult to buy daily necessities because of their student loans

53%
make career choices based on their student debt

69%
are delaying home ownership

Sources: Data from American Student Assistance 2016 Edition of "Life Delayed: The Impact of Student Debt on the Lives of Young Americans"; Commonwealth 2016 Student Loan Survey of 1,000 college-educated millennials who hold student debt



Repayment options that can help students save during school



There are multiple **repayment options** for students to choose from **during school**



Full deferment



Fixed payment
(i.e., \$25/month)



Interest-only
payment



Immediate
repayment



Meet **Patricia**, who has chosen **fixed payment** of **\$25/month** during school



Note: Savings number based on average loan size of \$15,000, a 10% per loan term, and 7.02% APR.

Fixed payment is a great option for...

- Students who have the ability to contribute minimally to their loan balance during school

Why Patricia chose this option

- "I want to get into the habit of paying my loans while in school and start to reduce my overall debt."

Savings & Impact

- Patricia will save **\$1,025** over the life of the loan versus if she had deferred all payments until after graduation
- She plans to use these savings to cover moving costs to NYC when she graduates



Meet **Dylan**, who has chosen **interest-only** payment during school



Note: Savings number based on average loan size of \$15,000, a 10% per loan term, and 7.02% APR.

Interest-only payment is a great option for...

- Students who have the ability to pay off interest as it accrues during school

Why Dylan chose this option

- "I like to plan ahead and if paying interest while in school will reduce future debt, then it's money well spent."

Savings & Impact

- Dylan will save **\$3,987** over the life of the loan versus if he had deferred all payments until after graduation
- He plans to use these savings to take a post-graduation trip to Europe before he begins his career



Meet Sarah, who has chosen immediate repayment during school



Immediate repayment is a great option for...

- Students who have the ability to make full payments during school

Why Sarah chose this option

- "I'd rather start paying my debt down now so I pay less later on."

Savings & impact

- Sarah will save **\$9,498** over the life of the loan versus if she had deferred all payments until after graduation
- She plans to use these savings for a down payment for an apartment when she graduates

Note: Savings number based on average loan size of \$10,000, a 10% per loan term, and 7.05% APR.



Comparing the savings from the different repayment options



Full deferment



Fixed payment
(i.e., \$25/month)



Interest-only
payment



Immediate
repayment

\$-	\$1,025	\$3,987	\$9,498
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Repayment options that can help students save after school



There are multiple **repayment options** for students to choose from **post-graduation**



Government programs



Refinancing



Meet **Darcy**, who enrolled in **Income-Based Repayment** after graduating



Note: Savings number based on amount of \$20,000 loan size at \$30,000, versus monthly payment of \$420, interest rate of 7%, and loan term of ~10.5 years.
Source: Student Loan Hero

Income-Based Repayment is a great option for...
• Graduates who are having a tough time affording loan payments

Why Darcy chose this option

- "I graduated with \$37,000 in student debt and work at a nonprofit making \$30,000/year. Without IBR, I wouldn't have been able to pay my bills. I went to college for a brighter future, and now IBR is allowing me to pay for it."

Savings & Impact

- Darcy will save **\$33,604** over the life of the loan, but the actual impact is **priceless**
- *She is able to pay rent, buy food and other basic necessities, and live her life without worrying about missing payments on bills*



Meet **Nathan**, who **refinanced** his student loan debt after graduating



Note: Savings number based on original loan size of \$75,000, a 7% interest rate, and a 10 year loan term and refinanced loan at 4.75% interest rate and 10 year loan term.
Source: Student Loan Hero

Refinancing is a great option for...

- Graduates who are employed, are making monthly payments, and have good credit history

Why Nathan chose this option

- "Everything was so overwhelming -- I just found my first job and needed to start thinking about repaying \$75,000 in student loans, which is the last thing I wanted to do. But I realized I could save thousands of dollars so it was completely worth it."

Savings & Impact

- Nathan will save **\$11,223** over the life of the refinanced loan versus if he hadn't refinanced
- *He plans to use these savings to help buy a house in the future*



Additional ways to reduce debt



During school



After school

- Max out federal loans – 47% of undergraduates do not do so
- Explore Federal Work-Study options
- Schedule disbursements for when funds are needed to save on interest
- Cancel disbursements when funds end up not being needed
- Look into refinancing
- If going to graduate school, evaluate effective financing options (and be mindful of high origination fee on Grad Plus loans)
- Ensure your lender provides an auto-pay discount AND be sure to enroll in the program
- Consider student loan benefits as a factor in evaluating jobs or employers, or advocate for this benefit once employed

Source: Cleverlens The Institute For College Access & Success Student Debt and the Class of 2015



Important loan features to consider

- Grace period** Many loans come with a six-month grace period following graduation or termination of enrollment, regardless of repayment plan. During that grace period, students are not required to make any payments, but interest will continue to accrue. After that period, full repayment of their student loans begins.
- Auto pay discount** Many loans provide a 0.25% interest rate reduction for automatic payments. Students will receive the discount once their loan is in repayment.
- Cosigner release** For those that have cosigners, students are likely eligible to apply for cosigner release after graduation and 24 consecutive months of full payments. They usually involve the application and meet the current underwriting criteria under the loan program at the time of applying for cosigner release.
- Forbearance** Students experiencing financial hardship can apply for loan forbearance. In this case, members may temporarily postpone making monthly loan payments for three months at a time for up to 12 months consecutively and a maximum of 24 months over the term of the loan.
- No hidden fees** Many lenders offer no prepayment penalties for students who choose to pay off their loans early or pay more in any given month.
- Death and disability** In case of the borrower passing away or becoming permanently disabled, some lenders will waive the financial responsibility for the loan and cancel future disbursements.



The meaningful impact of reducing student debt



By refinancing, Irina is able to start saving not just for a house, but for a home



Thank you!

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Visit commonbond.co/disclaimers for more information

Offered terms are subject to change. Loans are offered by CommonBond Lending, LLC (N.A.S. # 1175900). The Annual Percentage Rate (APR) shown for each in-school loan product reflects the accurate interest rate, the effect of one-time capitalization of interest at the end of a deferral period, a 2% origination fee, and the applicable Repayment Plan. All loans are eligible for a 0.25% reduction in interest rate (ACH discount) by agreeing to automatic payments or withdrawal once in repayment, which is reflected in the APR shown for Full Principal and Interest Repayment Plan loans. Variable rates may increase after consummation. All variable rates are based on 1-month LIBOR as of May 26, 2017. Borrowers may select one of four Repayment Plans. Under the Full Deferred Repayment Plan option, interest and principal may be deferred while a borrower is enrolled in school on at least a half-time basis, and for an additional six-month grace period (up to a maximum of 90 consecutive months) following (i) graduation, (ii) termination of enrollment, or (iii) if a borrower ceases enrollment on at least a half-time basis, at which time interest is capitalized and payments will increase to full principal and interest payments for the loan term selected by the borrower. There are three other Repayment Plan options available, an Interest Only Repayment plan, in which principal will be deferred and payments made on interest only during the same period described above after which payments will increase to full principal and interest payments; a PIA Repayment plan, in which payments of \$25 will be made during the same period described above after which payments will increase to full principal and interest payments; and a Full Principal and Interest Repayment plan, in which payments will begin immediately after disbursement. A borrower's actual APR may vary depending on the repayment option selected by the borrower. The dollar amount of the origination fee is based on the amount borrowed and will be added to the outstanding loan balance upon disbursement. Loans are not offered or endorsed by the educational institution that you are attending. CommonBond is not affiliated with any educational institution.

The PIA Repayment plan, in which payments of \$25 will be made while a borrower is enrolled in school on at least a half-time basis, and for an additional six-month grace period (up to a maximum of 60 consecutive months) following (i) graduation, (ii) termination of enrollment, or (iii) if a borrower ceases enrollment on at least a half-time basis, at which time interest is capitalized and payments will increase to full principal and interest payments for the loan term selected by the borrower. On a \$10,000 loan, at a Fixed APR of 7.37% with a 10-year loan term, a PIA Repayment plan loan would have a monthly payment of \$25 while the borrower is in school and a monthly payment of \$138.35 when the borrower ceases repayment after graduation and the applicable grace period. All loans are eligible for a 0.25% reduction in interest rate (ACH discount) by agreeing to automatic payments or withdrawal once in repayment.