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

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WASFAA FALL 2018

Agenda

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

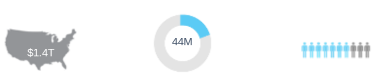
The CommonBond story

- **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



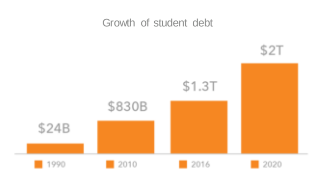
$1.4T in outstanding student debt

44M people have student debt

7 out of **10** millennials graduate college with student debt

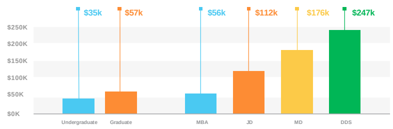
Sources: Debt statistics – $1.4T in outstanding debt: MarketWatch; 44M people have student debt and 7 out of 10 millennials graduate college with student debt: Student Loan Hero

It is the single biggest challenge facing millennials today



Source: http://www.finaid.org/loans/studentlaondebtclock.phtml

And it is impacting graduates at all levels of education



Sources: Debt statistics - Undergraduates: Edvisors; 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

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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 2015 Edition of "Life Delayed: The Impact of Student Debt on the Lives of Young Americans"; CommonBond 2016 Student Loan Survey of 1,000 college-educated millennials who hold student debt

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Repayment options that can help students save *during school*

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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

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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 year loan term, and 7.93% 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*

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

Note: Savings number based on average loan size of $15,000, a 10 year loan term, and 7.93% 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*

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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 $15,000, a 10 year loan term, and 7.93% APR

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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*

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

Government programs

Refinancing

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

Note: Savings number based on income of $30,000, loan size of $37,000, current monthly payment of $420, interest rate of 7%, and loan term of ~10.3 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*

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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 of 4.5% 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*

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Additional ways to reduce debt

During 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

After school

- 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: Data from The Institute For College Access & Success: Student Debt and the Class of 2015

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Important loan features to consider

Grace period	Most 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 payment. They usually must be the age of majority 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.

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The meaningful impact of reducing student debt

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

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Thank you!

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Visit commonbond.co/disclaimers for more information

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