



Loan Repayment Strategies: Is Loan Refinance Right for Your Students?

NHASFAA Conference 2019

A Better Student Loan Experience.
collegeave.com

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Questions graduates most often ask

- What are my repayment options?
- “What is the ideal repayment option?”
- “Should I take standard repayment or something else?”
- “Should I consolidate or refinance?”
- “If I do refinance, do I go with a fixed or variable-rate loan?”
- “How likely am I to qualify for loan refinance?”
- “When do I need to make a decision?”
- “How much debt will I end up with?”

Answers graduates most often get

“It depends...”

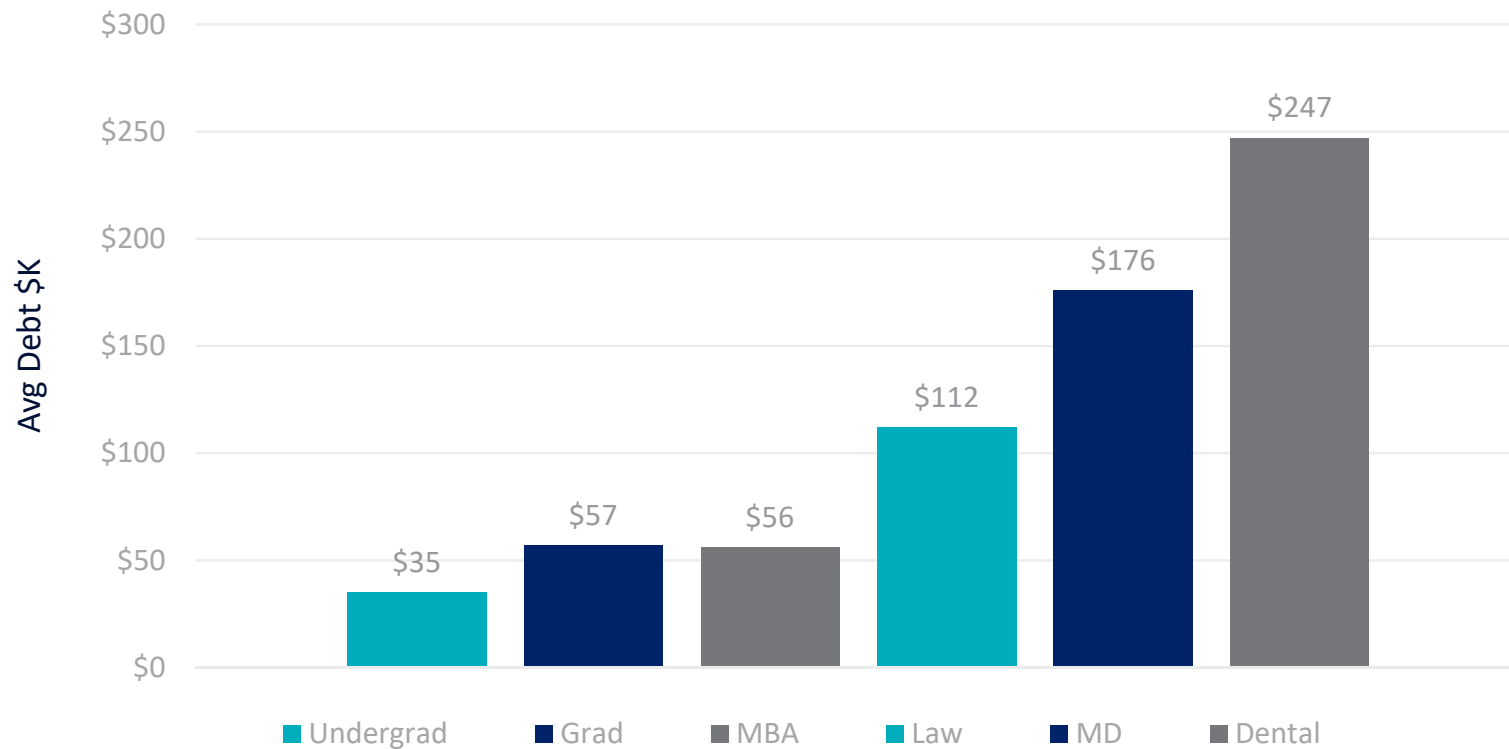
Today's Agenda

Help your students develop a Loan Repayment Strategy

- Identify Your Loans
- Student Loan Repayment Options
- Consolidate or Refinance
- Loan Refinance Process



Debt by Degree Type



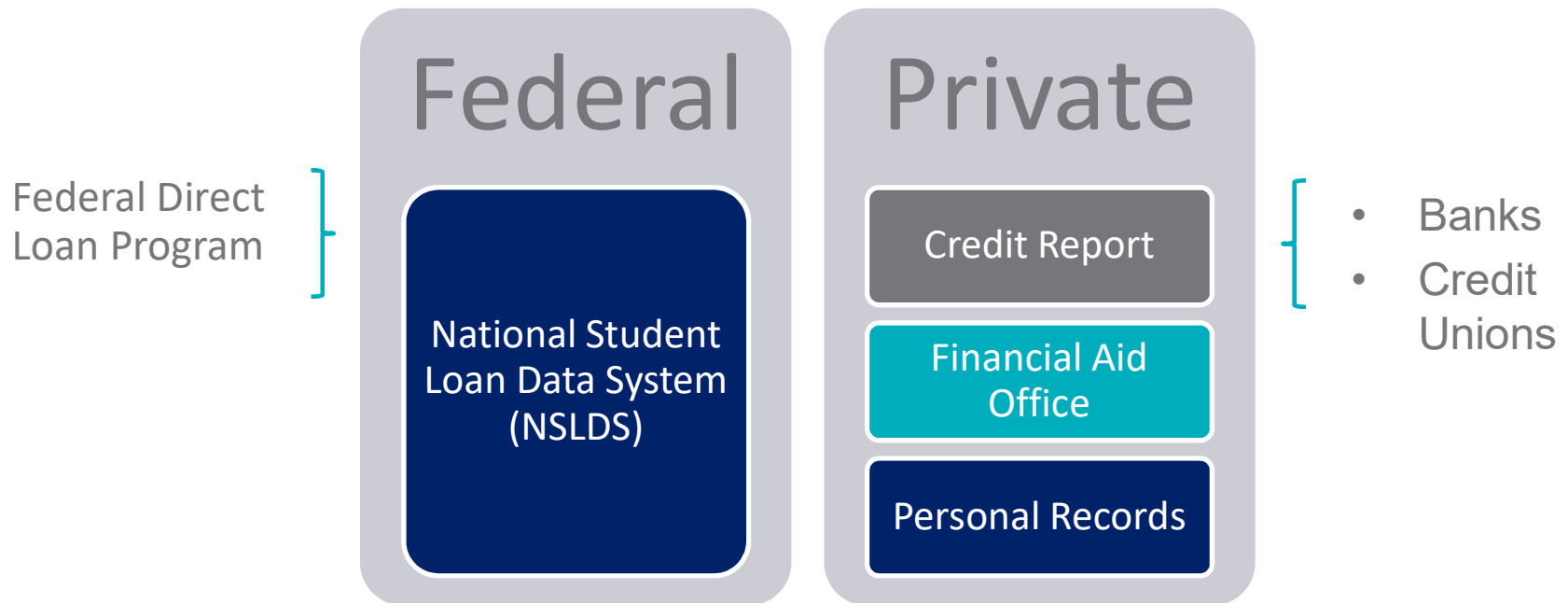
Sources: Debt statistics - Undergraduates: Edvisors; Graduates: U.S. News & World Report; MBAs: U.S. News & World Report; Doctors: Association of American Medical Colleges; Dentists: American Dental Education Association; Lawyers: U.S. News & World Report



Identify Your Loans



Identify Your Loans



Loan Types – Federal and Private

Federal Student Loan

- Subsidized Stafford
- Unsubsidized Stafford
- Parent PLUS
- Grad. PLUS
- Perkins Loans
- Consolidation Loans

- Interest rates set by federal government
- Annual loan amount limits
- Lifetime loan aggregate limits
- Not credit based

Private Student Loan

- Undergraduate Loans
- Graduate Loans
- Parent Loans
- Professional Loans
- Refinance Loans

- Credit based
- Interest rates based on lender underwriting
- Better credit - better rates
- Annual loan amount limits
- Lifetime loan aggregate limits
- Credit based



Student Loan Repayment Options



Student Loan Repayment Options

Repayment strategy will depend on the mix of Federal and/or Private Loans

- ❑ Federal loans have multiple repayment options (fixed and income driven)
 - Federal loans can be consolidated or refinanced
 - Federal loans may be forgiven

- ❑ Private loan repayment depends on the lender
 - In school repayment options to reduce cost of borrowing
 - Private loans may be refinanced
(and combined with Federal loans)

- ❑ **Refinance of Federal & Private Loans**
 - **Based on borrower credit**
 - **Reduce amount owed**
 - **Lose Federal Repayment Benefits**



Federal repayment plans & benefits

Fixed Repayment Plans:

- Typically Pay off sooner
- Set repayment length
- Nothing to be forgiven

Standard Repayment	Graduated Repayment	Extended Repayment
Fixed monthly payments. You'll save the most money on this plan.	Payments start out low and increase every two years.	Fixed monthly payment
10 years	10 years	Up to 25 years



Federal repayment plans & benefits

Income Driven Repayment Plans:

- Based on a percentage of income
- Unclear repayment length
- Monthly payment amount may change yearly with income verification
- Some amount may be forgiven

<u>REPAYE</u>	<u>PAYE</u>	<u>Income Based Repayment</u>	<u>Income Contingent Repayment</u>
If married, must combine both incomes	If married, can file married filing separately	If married, can file married filing separately	If married, can file married filing separately
10% of discretionary income	10% of discretionary income	10% - 15% of discretionary income	Lesser of 20% of discretionary income or amount paid on fixed plan over 12 years
25 years to taxable forgiveness	20 years to taxable forgiveness	20 - 25 years to taxable forgiveness	25 years to taxable forgiveness



Federal repayment plans & benefits

Public Service Loan Forgiveness

- PSLF is designed to encourage students to consider public service careers (e.g. firefighting, teaching, government, nursing, public interest law and the military) in exchange for forgiving a remaining loan balance
- 10 years of loans payments must be made while working for the government or a nonprofit before qualifying
- Be sure to understand the requirements and choose the correct payment plan (IDR) to qualify.



Private loan repayment plans & benefits

Repayment options while in school to reduce the overall cost of borrowing

- Full Principal & Interest
- Interest Only
- Flat Payment Amount

Repayment options after graduation/non-enrollment

- Equal monthly payments made over an agreed number of years, determined at the time of borrowing
- Lenders will work with borrowers having financial difficulties to offer short-term flexible payment options.



Consolidate?
Refinance?
Both?



Consolidate or Refinance

	<u>Federal loans</u>	<u>Private loans</u>
Consolidation	Federal Direct Consolidation loan	Cannot Be Consolidated
Refinancing	Refinance through a private lender, lose federal loan benefits	Private lender

❑ Consolidation

- Bundling multiple federal loans into one – very convenient
- Won't typically lower your interest rate
- Rates are fixed calculated by taking a weighted average of the rates of all loans rounded up to the nearest 1/8%

❑ Refinancing

- Taking out a new loan — usually one with a lower interest rate — to repay one or more existing loans
- A lender will evaluate credit history and offer new loan terms



Consolidate or Refinance considerations

□ Why Consolidation

- Eliminates multiple servicers – one monthly payment
- Provides access to more reasonable repayment options (IBR or loan forgiveness)
 - Lowering payments and extending loan period will result in more interest over time

□ Why Refinance

- Rate environment
- Depending on credit history may significantly reduce overall debt
- Way to release a cosigner or add one
- Good option if you are financially stable with a clear employment path



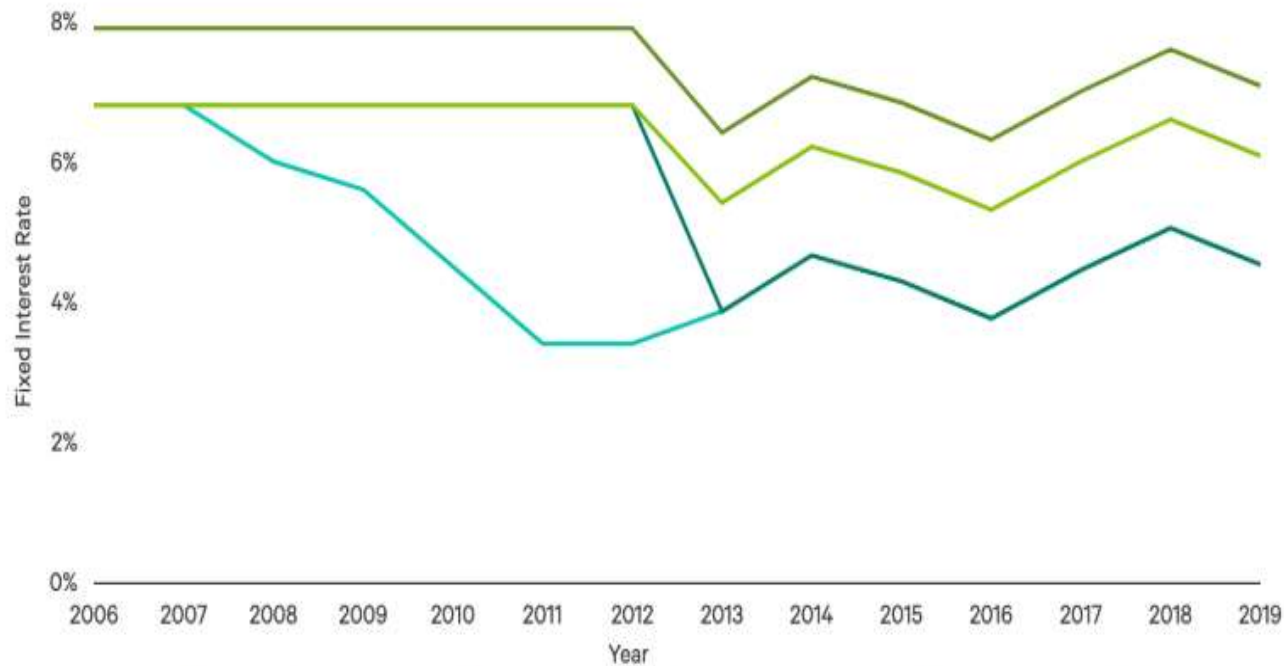
CONSOLIDATE OR REFINANCE CONSIDERATIONS

	Federal Loan Consolidation	Student Loan Refinance
Are federal loans eligible?	Yes	Yes
Are private loans eligible?	No	Yes
Is a credit check required?	No	Yes
Can I lower my interest rate?	No	Yes
Will I save money?	No	Yes
Will I get one bill?	Yes	Yes
Federal loan forgiveness?	Yes	No



Interest rates

Federal Student Loan Interest Rates, 2006-2019



Direct Subsidized Direct Unsubsidized Graduate Direct Direct PLUS

- CURRENT LOAN RATES
- GRAD PLUS – 7.08%
- UNSUB – 6.08%
- (Rates starting at)
- PSL- 4.09%V, 5.2%F
- PREFI – 2.54%V, 3.25%F

 The four of the most common questions asked about refinancing student loans.

1. How Does Student Loan Refinancing Work?

- Take out a new student loan to pay off your existing student loans
- The new loan typically has a lower interest rate and/or different repayment terms.
- Refinancing can save you thousands of dollars in interest over the life of your loans.

The four of the most common questions asked about refinancing student loans.

2. Who is Eligible for Student Loan Refinancing?

- Employment status and income are both criteria considered
- Your debt must come from an accredited college or university.
- Reliable borrowers with a strong credit history- no missed payments, a solid credit score, and a stable income.
 - Most lenders have a minimum credit score in the high 600s, but to get the most competitive interest rates, your score will have to be even higher.
 - If your credit history is not strong enough or if your income is too small, you may still be able to qualify for refinancing if you have a cosigner

The four of the most common questions asked about refinancing student loans.

3. What Do I Need to Refinance?

- Locate your tax return
- Know Your Credit Score:
- Identify a cosigner (if needed):
- Some lenders require additional documentation when refinancing student loans.

College Ave created a streamlined process so, in most cases, applicants don't need to worry about uploading statements for all their student loans.

The four of the most common questions asked about refinancing student loans.

4. What Terms Should I Look For?

- Most refinancing companies offer repayment options that span 5, 10, or even 20 years.
 - While paying off your debt as soon as possible is wise, if it is not financially viable, selecting a longer term can help reduce how much you pay each month.
- You can choose between a fixed or variable interest rate.
 - While variable interest rates are often much lower—sometimes as low as 2% depending on the lender and your credit – they can fluctuate over time.

▶ QUIZ - Refinance or Consolidate?

Dylan	Madeleine	Duane
Will receive an MBA from Vanderbilt in one month	Masters in Public Policy from University of New Mexico	Civil Engineering with 4 children in college
Accepted an offer from a major bank as a financial analyst	Currently a paralegal at the Dept. of Justice	Successful business owner
Starting salary \$115,000/year	Current salary \$55,000/year	Current income \$180,000/year
770 credit score	660 credit score	820 credit score
Owes \$41,000 in 5 Federal loans; \$50,000 in 2 Private student loans	Owes \$31,000 in 8 Federal loans with 3 different loan servicers; \$12,000 in 2 Private student loans	Owes \$125,000 in 3 Federal PLUS loans

Refinance all loans as soon as possible

Consolidate Federal Loans now and consider Refinance if credit score improves. Hold off on Refinance if she remains at DOJ for loan forgiveness.

Refinance Federal PLUS loans



Loan Refinance Process



How to Begin the Loan Refinancing Process

- Start with your school
 - Does your school keep a list of lenders who offer refinancing loans?
- Shop around
- Web searches - Look for the lowest rate
- Be sure to compare terms
- Know your credit score and what to expect when applying
- Determine if refinancing is right for you given your own personal circumstances (credit score, career choice and income stability, military service)

Student Loan Refinance Calculator

Use our refinance calculator¹ to see how much you could save by refinancing your student loan.

YOUR CURRENT LOAN

[Calculate Multiple Loans](#)

Refi Loan Type
Undergrad/Grad ▾

Loan Amount
\$15K ————— \$150K

Remaining Years
10 years ————— 30 years

Current Monthly Payment
\$250

UPDATE CURRENT LOAN

CUSTOMIZE YOUR NEW LOAN

I Want to Reduce My
Monthly Payment Total Loan Cost

My Credit Score
711-730 ▾

Loan Term (in years)
Lower monthly payments require a longer term
5 years ————— 15 years ————— 20 years

Loan Interest Rate Type
Variable Fixed
5.92%

YOUR LOAN BREAKDOWN

Est. Monthly Savings
\$124.07

● Est. new monthly payment ● Est. monthly savings

Original Cost with Interest	Original Monthly Payment
\$29,999.93	\$250.00
Est. New Cost with Interest	Est. New Monthly Payment
\$22,667.60	\$125.93

Ready to get started?

APPLY NOW →

PREQUALIFY →



Ready for your Refinance application?

Find out if you're approved in 3 minutes

GET STARTED

To complete your application, you'll need:

- Your social security number
- Your estimated annual income
- The amount you'd like to borrow

Once approved, you'll see your interest rates.

Already started an application? [Find it here.](#)



What if I'm applying with a cosigner?

As the borrower, you'll complete the application first. We'll ask you during the application whether you have a cosigner and give you directions for them to apply. Your cosigner doesn't have to be with you to get started.

Once approved, you'll see your interest rates.

Already started an application? [Find it here.](#)



What if I'm applying with a cosigner?

As the borrower, you'll complete the application first. We'll ask you during the application whether you have a cosigner and give you directions for them to apply. Your cosigner doesn't have to be with you to get started.

While not required, applying with a cosigner who has good credit may help you qualify for a loan or receive a lower interest rate.



Congratulations! You're approved to refinance \$150,000

We've found these loans on your credit report that are eligible to be refinanced. ?

By checking the box next to each loan, you're indicating you'd like to refinance it, and you verify that this loan is a qualified expense. ?

<input checked="" type="checkbox"/>	Loan #1	TITLEMAX OF CA Account # 15646921536	\$2,980 Only pay off a portion	Edit Remove
<input checked="" type="checkbox"/>	Loan #2	TITLEMAX OF CA Account # 2157425	\$2,087 Only pay off a portion	Edit Remove
<input checked="" type="checkbox"/>	Loan #3	TITLEMAX OF CA Account # 456741	\$1,238 Only pay off a portion	Edit Remove
<input checked="" type="checkbox"/>	Loan #4	TITLEMAX OF CA Account # 45874	\$895 Only pay off a portion	Edit Remove

Add Another Eligible Education Loan

<input checked="" type="checkbox"/>	Loan #3	TITLEMAX OF CA Account # 456741	\$1,238 Only pay off a portion	Edit Remove
<input checked="" type="checkbox"/>	Loan #4	TITLEMAX OF CA Account # 45874	\$895 Only pay off a portion	Edit Remove

Add Another Eligible Education Loan

Lender Name: Pay Off Amount: Account #:

Approved for: \$150,000

Amount you want to consolidate: \$7,200

We are displaying the last reported student loan balances from your credit report. They may not reflect recent payments or accrued interest, so they are not payoff quotes. For precise payoff quotes, contact your existing loan servicer(s).

For the loan to be a qualified education expense, you must have used the money to finance your attendance at any accredited college, university, vocational school, or other postsecondary institution. You could have used the loan funds for related tuition and fees, room and board, books, supplies, and equipment, or other necessary expenses (such as transportation).



Zip Code

Add Another Eligible Education Loan

Lender Name

SELECT

AVE

CONTINUE

Important Information

Refinancing or consolidating private and federal student loans may not be the right decision for everyone. Federal loans do carry some special benefits, for example, public service forgiveness and economic hardship programs, fee waivers and rebates on the principal, which may not be accessible to you after you refinance. Benefits that exist with federal loans and/or private loans could be forfeited by consolidating them into a new private loan.

I UNDERSTAND

[Cancel](#)

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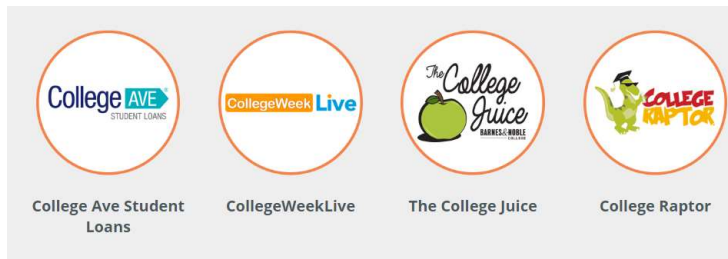


Resources:

- Blog Resource
- <https://www.collegeavestudentloans.com/resources/refinance-vs-consolidate-student-loans/>
-
- Refinance Article
- <https://www.collegeavestudentloans.com/tools/calculator/refinance-loan-calculator/>

The College Ave Blog

- Part research tool, part blog all helpful
- Students sign up for scholarships and other sweepstakes
- Clear and relevant content
- Our contributors



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Final Thought

Refinancing your student loan debt can be a smart way to save money, but it is a big decision that requires some forethought and planning.

If you do decide to refinance, build a plan for what to do with the money you save to use it wisely and build a secure financial future



Contact Information

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College Ave Website

<https://www.collegeavestudentloans.com/>

Thank you!



Loan Refinance FAQs

Loan Refinance FAQs

What does “student loan consolidation” mean?

Consolidation is a type of refinancing. Consolidation combines two or more federal loans into a single loan, and in doing so, the rate and/or terms typically change.

What does "refinancing" a student loan mean?

Refinancing is the process of getting a new loan to replace your existing loan(s), usually to get a lower interest rate and/or different loan term.

What is the difference between refinancing and consolidating?

You don't have to consolidate in order to refinance though; you can refinance a single loan to lower the interest rate or change the term of that one loan. You can choose to refinance a single loan or refinance multiple loans.

What are the benefits of refinancing student loan(s)?

Ultimately, refinancing is intended to save you money – monthly or over time – and give you budget flexibility.

Who should consider refinancing their student loans?

Refinancing can be a great option for working graduates who have one or more federal Direct Loans, Graduate PLUS loans, and/or private loans.

Is a cosigner required to refinance?

A cosigner is not required as long as you qualify for the loan on your own.



Loan Refinance FAQs

How does student loan refinancing work?

You'll need to confirm details about your existing student loans that you'd like to refinance. If you are approved for a refi loan, the lender will use the money from your new loan to directly pay off your existing loans.

What are the eligibility requirements for a refi loan?

To qualify, a borrower must be at least 18 years old, be a U.S. citizen or permanent resident, have graduated from a selection of Title IV eligible undergraduate or graduate programs, and meet the lender's underwriting requirements.

What information about the loan(s) being refinanced is needed to apply?

For each loan, you'll need to confirm:

- The name of your servicer
- Your servicer account number
- The amount you wish to refinance

What is the minimum and maximum amount that can be refinanced?

Every lender is different, at College Ave, \$5,000 is the minimum requirement to refinance with us. The maximum loan amount is \$150,000 for graduates of undergraduate or graduate programs and \$250,000 for graduates of medical, dental, veterinary, or pharmacy programs.



Loan Refinance FAQs

What's the best way to determine if refinancing is the right decision?

While you may be able to reduce your total loan cost or your monthly payment by refinancing your loan(s), it's important to consider whether any other benefits of your current loan(s) would be lost by refinancing.

Are both federal and private student loans eligible for refinancing?

Yes, most private lenders will refinance and consolidate all qualified education loans.

What's at risk when refinancing or consolidating student loans?

When you refinance your loan(s)—either federal or private—you forfeit the benefits of those loan(s). In turn, you receive the benefits of your new loan. Federal loans offer unique benefits such as income-based repayment (IBR) and loan forgiveness programs. You should carefully consider if and how these benefits impact your personal situation.

Are you currently serving active duty in the military?

As a member of the military, your current federal and private loans may qualify for Servicemembers Civil Relief Act (SCRA) benefits. However, if you refinance or consolidate your loan(s), then you may lose these benefits for the new loan.