

Managing Student Debt:













An Overview of Consolidation and Refinancing Options

NYU STERN

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Ben Loya, Vice President
Citizens Bank Student Lending

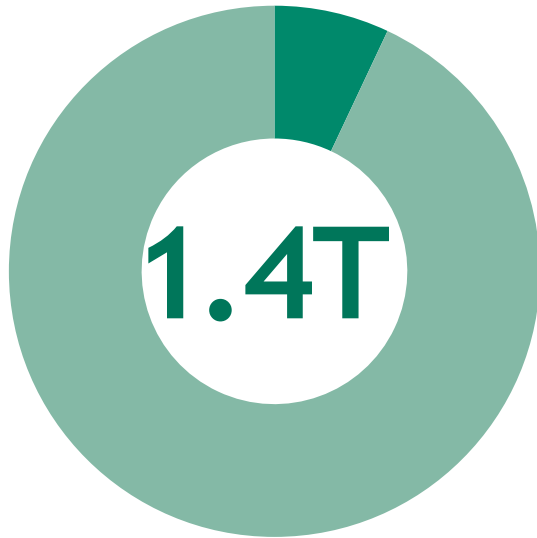
Overview

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-  Federal Consolidation vs. Education Refinance Loan
-  Education Refinance Loan Overview
-  Eligibility Requirements, Loan Limits & Borrower Benefits
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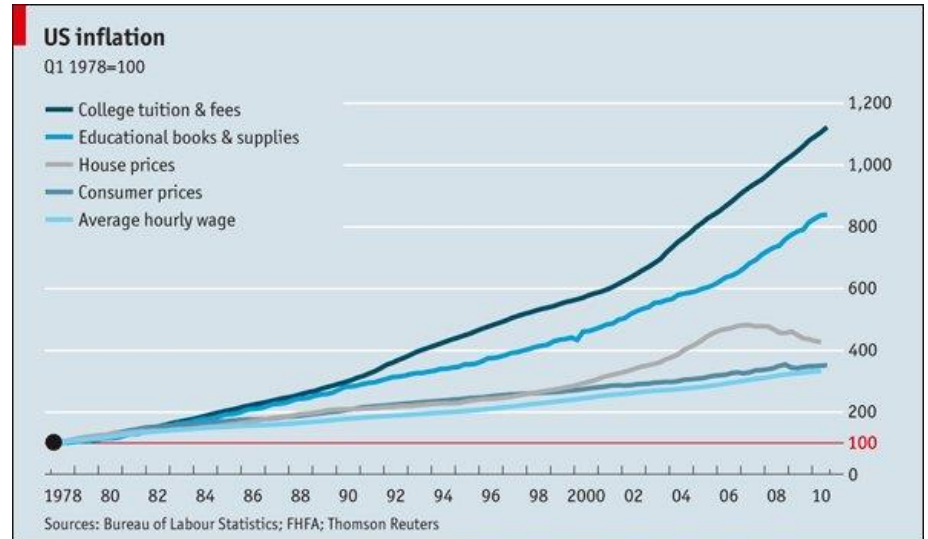
Student Debt - The Impact

• 400B 7.5% or higher

• 40% of U.S. Households



■ Private
■ Federal



Home Ownership

75% said student loan debt affected decision or ability to purchase a home

Children

43% said student loans are delaying their decision to start a family

Retirement

73% said they have put off saving for retirement or other investments

Student Debt - Sources

Federal Loans represent 93% of outstanding student debt.

Subsidized Stafford

Unsubsidized Stafford

Federal Perkins Loan

Grad PLUS/Parent PLUS

Direct Consolidation Loan



Private Loans are typically used once the above listed options have been exhausted. They are based on income and credit, and may require a co-signer.

Federal Student Loan Repayment Plans*

Standard Repayment

- Up to 10 year term
- Same amount each month

Extended Repayment

- Up to 25 year term
- Amounts greater than \$30K

Graduated Repayment

- Up to 10 year term
- Gradually increases payments

Pay As You Earn (PAYE)/Revised (REPAYE)

- Up to 20 year term
- Up to 25 year term REPAYE (Grad Students)
- 10% of Discretionary Income
- No income requirement - REPAYE

Income Based Repayment (IBR)/IBR New

- Up to 25 year term
- Payments change as income changes
- 15% of discretionary income on old plan
- 10% of discretionary income on new plan

Income Contingent Repayment (ICR)

- Up to 25 year term
- Based on income, family size, and loan amount
- 20% of discretionary income

* Full repayment information can be found at <https://studentaid.ed.gov/sa/repay-loans>

Federal Loans: Deferment and Forbearance

Deferment allows borrowers to temporarily suspend payment on student loans.

- Deferment is not loan forgiveness and does not change overall loan amount
- Interest accrual may continue during deferment period

Possible Qualifiers for Deferment:

- Being enrolled in school (usually at LEAST half time)
 - Military borrowers on active duty
 - Residency/Fellowship
 - Economic hardship/Unemployment
-
- For Student, Residency and Military service deferments, there is no maximum length.
 - Economic hardship/Unemployment benefits can last up to 3 years on most federal loans.
 - Residency deferment typically requires annual application and documentation.

Forbearance is another method of temporarily postponing or reducing loan payments.

- Used when not qualified for Deferment
- Must be requested of servicer
- Forbearance period allowable up to 12 months at servicer's discretion
- Does NOT typically stop interest from accruing, may add capitalized interest

Federal Loans: Loan Forgiveness and Discharge

Loan Forgiveness & Discharge options may exist under certain conditions:

- Teacher Loan Forgiveness programs
- School Related Discharge (School closing, Fraud, ID Theft, False Certification, Unpaid Refund)
- Public Service Loan Forgiveness

Currently there are also loan forgiveness programs for underserved populations.

- Most are restricted by specialty
- Service requirements and amount of debt forgiven vary by program
- Obligated physicians were found to be more satisfied with their work and more likely to remain at their place of work than non-obligated physicians

Loans may be **discharged/forgiven** in cases of total and permanent disability, death, and in rare cases during bankruptcy proceedings.



*Federal Forgiveness & Discharge information can be found at <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation>

Options for Student Loan Consolidation & Refinancing

Federal Debt

- The Federal Direct Consolidation Loan Program currently offers borrowers the opportunity to consolidate only existing Federal loans.
- This program is not credit based, and continues to offer the federal loan benefits.

Private Debt

- Private Debt can be consolidated with a number of banks, local credit unions, peer lending networks and by utilizing collateral such as a Home Equity loan.
- Applications are typically credit based and may offer more attractive rates for well qualified borrowers.

Federal and Private

- Ability to refinance BOTH federal and private debt, to reduce interest rate, lower payment, decrease or extend payment period.

Federal Loan Consolidation or Private Loan Refinance

Federal Student Loan Consolidation

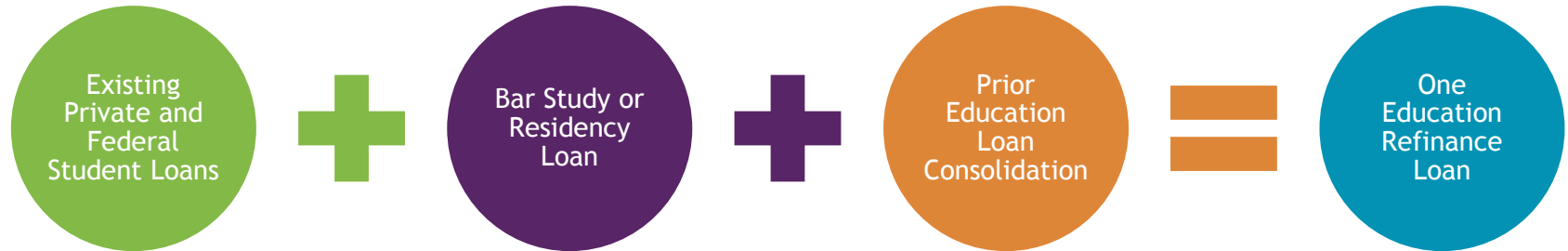
- Only consolidate federal student loans
- Interest rate calculated using the weighted average of consolidated loans rounded up to the next 1/8 Percent
- Repayment Term (10 - 30 Years)
- Adjusted and income based repayment options
- Deferment & Forgiveness options
- Maintain federal borrower benefits
- No credit approval needed

Private Student Loan Refinance

- Option for multiple loans - both private student loans and federal loans
- Choice of fixed or variable interest rates (varies by lender)
- Repayment Term varies by Lender (extend or shorten repayment; 5, 10, 15, 20 Years)
- Deferment & Forgiveness options (varies by lender)
- Change in interest rate and/or loan term can lower the overall cost of loan
- Loss of federal borrower benefits
- Credit approval required

**Federal Loan Consolidation information can be found at www.studentloans.gov*

Private Bank Education Refinance Loan



- Borrowers can combine multiple existing private and federal student loans into a single new private student loan
 - Usually as many as fifteen loans or as few as one loan
 - Can include bar study and residency loans (varies by lender)
- Cannot include
 - Any other non-student loan debt (even if it was used to pay for school, such as credit card or home equity)
- Typically, borrowers may choose to apply alone or with a cosigner

Education Refinance Loan Eligibility Requirements

- Borrower must meet the age of majority in your state (typically 18 years old)
- Borrower and Co-signer (if applicable) must be U.S. citizen, permanent resident or resident alien with a valid U.S. Social Security Number residing in the United States
- Borrower must meet credit requirements and demonstrate current minimum income
- Borrower cannot be currently enrolled in school

Notes:

- Specific lender may require borrower to have graduated from a Title IV accredited university in their network
- Specific lender may require borrower to have graduated with an associate's degree or higher from a Title IV School
- Specific lender may accept an offer of employment to demonstrate minimum income

Education Refinance Loan Eligibility Requirements (specific to Citizens Bank)

- Eligible applicants with Graduate Degree or above can refinance at any time after graduation
- Borrower or cosigner (if applicable) with a bachelor's degree or less, must demonstrate 12 consecutive months of recent earnings history
- Eligible applicants with a Bachelor's Degree or less must be in repayment on their student loan(s)
 - Applicants with a bachelor's degree may be eligible to refinance their student loan(s) upon making 3 consecutive, on-time monthly payments
 - Applicants without a bachelor's degree may be eligible to refinance their student loan(s) upon making 12 consecutive, on-time monthly payments

Loan Limits (varies by lender)

- Minimum loan amount (such as \$10,000)
- Maximum loan amounts based on degree attained

As an example:	Maximum Debt to Refinance
Bachelor's Degree or less	\$90K
Graduate or Doctoral Degree, including MBA	\$225K
Law Degree	\$300K
Professional Degree such as Medical or Dental	\$350K

- Specific lenders minimum loan amount is \$5K and maximum can be up to \$500K

Private Education Refinance Loan Borrower Benefits

- **Interest Rate Reductions** (varies by lender)
 - Existing bank customers (borrower or co-signer) receive an immediate percentage point interest rate reduction
 - Automatic Payment Discount: Borrowers receive a 0.25 percentage point interest rate reduction for auto payments from any bank
- **Cosigner Release** (varies by lender)
 - Lenders may provide an option for the cosigner to be released after the borrower makes 36 months of consecutive on-time payments provided that the borrower meets credit criteria
- **Loan Forgiveness** (varies by lender)
 - In the unfortunate event of the borrower's death or permanent and total disability - regardless of the presence of a cosigner

Please contact your lender for full eligibility requirements for any borrower benefits.

How to Prepare for Private Loan Refinance

- Compare your current student loan terms with available options
- Determine which loans you would like to consolidate
- Research and select the lender that best meets your needs
- Gather necessary documentation:
 - ✓ Social Security Number
 - ✓ Gross monthly income (2 pay stubs or other documentation) -
 - ✓ Employer name, phone number and length of employment
 - ✓ Monthly rent or mortgage payment
 - ✓ Current statements & information from your existing loans, including lender, account number, payment, existing balance, term and rate
 - ✓ Keep in mind that self employment is typically more involved & requires detailed tax returns. Income is determined not only by your take home but the impact of any business losses as well.
- Continue making payments until the loans are consolidated as it can take up to 2 billing cycles before the process is complete



Loan Approval Factors

- **Credit Score** - acts like a minimum threshold for approvals and/or tiered interest rates.
- **Credit History** - lenders may look at both the usage and length of credit history as well as derogatory items
 - Trade lines - individual credit accounts (installment loans - this includes student loans, credit cards); balance, account status, date opened, credit limit, delinquencies, etc.
 - Credit inquiries - a list of everyone who has accessed your credit in the last two years, both voluntarily and involuntarily
- **Public record items** - collection accounts, liens, judgments, bankruptcies and wage garnishments
- **Debt-to-income** - Proof of income may also be required to verify debt-to-income ratio.

Credit Report Summary					
Public Records:	1	Past Due Amount:	\$1,607	Inquiries:	5
Installment Balance:	\$1,607	Monthly Payments:	\$0	Inquiries/6 Mo:	1
Mortgage Balance:	\$0	Mortgage Payment:	\$0	Derogatory Accts:	4
Revolving Balance:	N/A	Revolving Available:	N/A	30/60/90:	05/03/13
Credit Score:	560 (300 low - 850 high)				
Credit Score Factors:	1) SERIOUS DELINQUENCY AND PUBLIC RECORD OR COLLECTION FILED 2) NUMBER OF ACCOUNTS DELINQUENT 3) INSUFFICIENT OR LACK OF REVOLVING ACCOUNT INFORMATION 4) DELINQUENCY REPORTED ON ACCOUNT				

RHR's convenient summary section allows you to quickly interpret the entire credit profile. Negative information will generally highlight in red.


Credit Information				
1. Creditor:	VERIZON WIRELESS-GR T L	Type:	UNKNOWN - CREDIT EXTENSION, RE	
Opened:	10/97	Last Reported:	03/03	Last Late: 06/04
High Credit:	\$902	Balance:	\$902	Mo Pymt: \$0
				Past Due: \$302
	PROFIT AND LOSS WRITEOFF			
2. Creditor:	COUNTRYWIDE HOME LOANS	Type:	CONVENTIONAL REAL ESTATE LOAN,	
Opened:	08/00	Last Reported:	04/02	Last Late: 04/02
High Credit:	\$75,000	Balance:	\$0	Mo Pymt: \$0
				Past Due: \$0
	FORECLOSURE COMPLETED			
3. Creditor:	NATIONSCREDIT	Type:	CONVENTIONAL REAL ESTATE LOAN,	
Opened:	08/98	Last Reported:	10/00	Last Late: 09/00
High Credit:	\$57,750	Balance:	\$0	Mo Pymt: \$0
				Past Due: \$0
	* 03/00-60,08/00-30,05/00-30,04/00-60,03/00-30			

Third Party Collections				
The following records identify collections that have been turned over by the primary creditor to an independent third party collection agency. Collection records may also be found in the Credit Information section of the report if the primary creditor has not sold the debt to a third party.				
1. Agency:	INTERSTATE CREDIT CNTR	Creditor:	COMCAST - SP	
Opened:	11/99	Last Reported:	02/00	Placed: 02/04
Placed Amt:	\$403	Balance:	\$403	Status: COLLECTION ACCOUNT
2. Agency:	CRED PROTECTIONS ASSOC	Creditor:	COMCAST	
Opened:	05/03	Last Reported:	07/03	Placed: 07/03
Placed Amt:	\$302	Balance:	\$302	Status: COLLECTION ACCOUNT

Public Records				
The following records identify legal civil action items such as judgments, garnishments, foreclosures, bankruptcies, and federal & state tax liens.				
1. Description:	JUDGMENT	Court:	RAMSEY COUNTY DIST COU	
Docket:	82C123456789	Plaintiff:	SECURITYLINK FROM AMERITECH	
Filed:	06/01	Status Date:	06/01	Assets: \$0
				Liabilities: \$1511

Your Credit Score - The Impact on Your Rate

- Websites such as www.myfico.com provide a FICO score for a charge.
- www.annualcreditreport.com free copy of your credit report from each of the 3 bureaus.
- Denied credit? You may request a copy of your credit report.

- 
- 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.



Maximizing the Power of Your Credit Score

85%

*of consumers are aware that they have access to their **credit score***

60%

*have checked their **credit report** in the past year*

•Source: ABA, 2015

and yet...

20%

of consumers have an error in at least one of their three credit reports

5%

of consumers have errors in their credit reports that could result in less favorable loan terms

•Source: Federal Trade Commission, 2013

ABA survey: www.aba.com/Press/Pages/012115CreditReports.aspx

FTC report: www.ftc.gov/news-events/press-releases/2013/02/ftc-study-five-percent-consumers-had-errors-their-credit-reports

What Should You Do With Your Credit Report?

Review your credit report regularly. If you see any errors you can dispute them by contacting the company or lender in question or by contacting any of the three reporting agencies (each has a dispute form on its website).


- If you see any errors, fill out the dispute forms at the credit reporting agencies websites and contact the company or lender involved.
- You cannot "fix" your credit score, but over time, you can improve it.

What Is a Good Score?

- The national average score is 695. Scores range from 300-850.
- A higher score demonstrates lower credit risk, while a lower score demonstrates higher credit risk.
- What's considered a “good” score varies by lender. For example, one lender may offer its lowest interest rates to people with scores above 730, while another lender only offers its lowest interest rates to people with scores above 760.

The Higher Your Credit Score, the Lower Your Loan Payments

30-year fixed mortgage Loan amount \$300,000		
Credit score	Annual percentage rate (national average)	Monthly payment
760-850	3.080%	\$1,278
700-759	3.302%	\$1,314
680-699	3.479%	\$1,344
660-679	3.693%	\$1,380
640-659	4.123%	\$1,454
620-639	4.669%	\$1,550



Source: myfico.com - Mortgage rates as of August 23, 2016; for illustrative purposes only

The Scoring Models Are Different

FICO® Scores

- Introduced in 1989, it's the most widely used credit score.
- FICO® scores are developed by **Fair Isaac Corporation**, hence the term FICO.
- Each credit reporting agency issues a credit score. There are three FICO® scores, one from each nationwide credit reporting agency (CRA):
 - Equifax
 - Experian
 - TransUnion
- A FICO® score requires at least six months of history and at least one account reported in the past six months.
- FICO treats all late payments – regardless of the type of account – in the same way.

Source: www.myfico.com/credit-education/whats-in-your-credit-score/

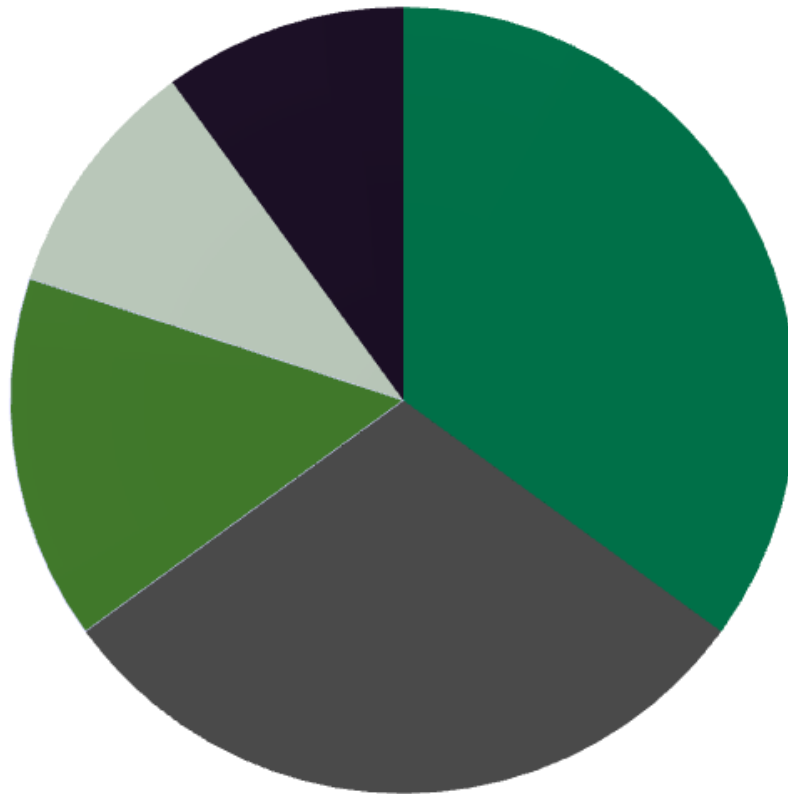
VantageScore

- Introduced in 2006
- Developed by all three credit reporting agencies: Experian, Equifax, and Trans Union.
- Vantage develops one score from a combined set of consumer credit files from the three CRAs.
- Vantage scores range from 300 - 850.
- It requires one month of history and an account reported to the CRA within the past two years. As a result, Vantage is able to score millions more consumers.
- VantageScore “penalizes” late mortgage payments more than it does other types of credit.

Source: www.credit.com/credit-scores/vantagescore/

How Is Your Credit Score Calculated?

Your FICO® Scores are broken-down into five elements: 1. **Payment history**; 2. **Amounts owed**; 3. **Length of credit history**; 4. **New Credit**; 5. **Types of credit in use**



- **Payment history 35%**
based on a borrower's payment history
- **Amounts owed 30%**
based on a borrower's credit utilization -- that is, the percentage of available credit that has been borrowed
- **Length of credit history 15%**
based on the amount of time in a borrower's payment history
- **New credit 10%**
based on the length of time each account has been open and the length of time since the account's most recent action
- **Types of credit in use 10%**
based on a borrower's usage of existing credit

The importance of any one factor in your credit score calculation depends on the overall information in your credit report.

Source: www.myfico.com/credit-education/whats-in-your-credit-score/

Credit Report Inquiries Made by Lenders are Recorded on Your Credit Report Differently

- Both scoring models treat multiple inquiries posted within a focused period of time as a single inquiry, they differ in their “deduplication” methods, as:

FICO® Scores

- Uses a 45-day span
- Applies deduplication method across all types of credit (cards, autos, etc.),

VantageScore

- Uses a 14-day span
- Applies deduplication method to mortgage, auto and student loans.

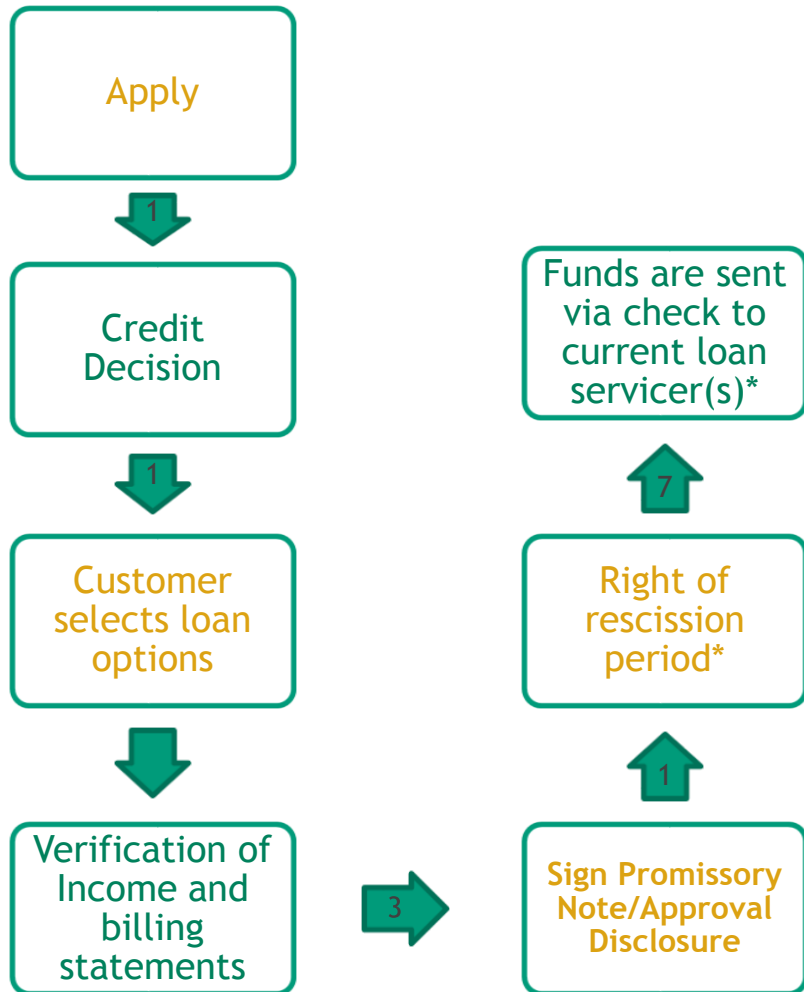
Improve Your Credit Score

Three Important Things You Can Do Right Now:

- Check your credit report for accuracy.
- Create a payment plan.
- Pay bills on time and pay debt down.
- If you consolidate credit cards, consider keeping accounts with a lengthy credit history.



The Private Loan Refinance Process



Having the right documents is key:

- Proof of citizenship or resident alien status (a Social Security Number or government ID number for resident aliens)
- Personal information, including proof of employment and monthly housing payments
- Proof of income (such as paystubs)
- Billing statements for your federal and private loans

Orange = action by Customer / Green = action by Citizens Bank | The numbers represent our service level for each step in business

*After signing the promissory note there is a 3 day right of rescission

*Customer is to continue paying current loan servicers until confirmation is received that the loans have been paid off

Other Steps You Can Take

- Regardless of the scoring model all payments must be made on time, balances kept low, and credit only applied for when necessary.
- Every point counts; knowing some of the subtleties of credit scoring can make a difference.
- If you are having trouble making ends meet, contact your creditors or see a credit counselor.
- If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.
- Do your rate shopping for a given loan within a focused period of time.
- Use credit cards - but manage them responsibly.

Comparison of Education Refinance Loans

Education Refinance Loan



Education Refinance Loan for Parents

- Borrower can be the student or the parent
- Minimum payments required based on borrower's highest degree earned
- Requires degree verification
- Student may not be enrolled in school
- Limits from \$10,000 - \$350,000 based on the borrower's highest degree earned
- No fees
- Flexible terms

- Borrower is the Parent - not the student (can refinance loans for multiple children into one loan)
- No minimum payments required
- No degree verification
- Borrower can refinance at any point even if the student is enrolled in school
- Limits from \$10,000 - \$350,000
- No fees
- Flexible terms

Refinancing Student Loans - Quick Review

Advantages

- Convenience & Simplification - one monthly payment
- Lower interest rate and overall lower cost of borrowing
- Lower monthly payment as a result of a longer repayment term
- Move from variable rate to fixed rate
- No application, origination, or disbursement fees (based on lender)
- No prepayment penalties (based on lender)
- Select your own repayment terms (based on lender)
- Borrower Benefits (rate reductions, based on lender)
- Deferment & Forbearance Options (based on lender)
 - ✓ In-School, Residency/Internship, Military, Hardship
- Cosigner Release (based on lender)
- Loan Forgiveness (based on lender)



Disadvantages

- Longer repayment term could mean higher total cost
- Loss of borrower benefits from original loan (if applicable)
- Possible loss of subsidy or forgiveness

FAQ's - Is Education Loan Refinancing Right for Me

Frequently Asked Questions

- **How do I decide if refinancing is the right thing for me?** There are many potential benefits, but keep in mind that when you refinance your student loans, you replace all of your current and future benefits with the benefits of the new refinance loan.
- **How good must my credit be to be Eligible?** Most lenders require a reasonably strong credit history, which is derived from your credit score, along with a minimum household income (for either the borrower or co-signer).
- **Is it necessary to have a cosigner?** Although a co-signer is not required, if you have little or no credit history, it's best to apply with a qualified co-signer to increase your chances of being approved. A qualified co-signer can sometimes help you secure a lower interest rate.
- **How will applying impact my credit score?** Since most bank loans are credit-based, any applications submitted will result in an inquiry on the applicants' credit report.
- **What is the difference between a fixed and a variable rate loan?** Initially, a variable rate loan may be lower than a fixed rate option. However, over time the variable rate may change based on the one-month LIBOR or the Prime Rate, and the monthly payment amount may change as well. A fixed rate will remain the same over the life of the loan, and you'll owe the same monthly payment each month.

Managing Student Loan Debt - Helpful Resources

Federal Resources

Federal Student Aid Information: www.studentaid.ed.gov

Federal Student Aid, Account Management: <https://studentloans.gov/myDirectLoan/index.action>

National Student Loan Data System (NSLDS): https://www.nsls.ed.gov/nsls_SA/

Federal Loan Consolidation Information: www.studentloans.gov

Loan Consolidation/Repay Information: <https://studentaid.ed.gov/sa/repay-loans>

Federal Public Service Loan Forgiveness: www.studentaid.gov/publicservice

Citizens Bank Resources

Student Services & Tools: <http://www.citizensbank.com/student-services>

Helpful Credit Advice: <https://www.citizensbank.com/student-loans/tools.aspx>

Credit Score Resources

AnnualCreditReport.com or 1-877-322-8228

Equifax.com or 1-800-846-5279


Experian.com or 1-888-EXPERIAN (397-3742)

TransUnion.com or 1-800-888-4213

myFICO.com

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THANK YOU FOR YOUR TIME

QUESTIONS?