



Student Loan Refinancing 101

Renee Suryan
National Manager Campus Relations
rsuryan@sofi.org
734.823.5079

Develop *Your* Repayment Strategy

This presentation was designed to help you understand your student loans and evaluate whether you should consider refinancing or consolidating your student loans.*

Before determining if student loan refinancing or consolidation are the best options for you, it's important to develop a repayment strategy for your specific situation.



Know what you owe



Research your current loan terms



Understand your options



Evaluate your options

*The information in this presentation is not comprehensive and is subject to change. It should be served as general and background information and not be taken as legal advice.

Know What You Owe

HELPFUL TIPS

Find Federal Loans

http://www.nslds.ed.gov/nslds_SA/

Find Private Loans

Loan statements
Lender's website
Financial aid office

If you're really at a loss, you can pull your credit report and your loans may be listed there.

What types of loans have you borrowed?

Federal Loans

These loans are made through the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Here are some examples of federal loans:

Direct Subsidized	Subsidized Federal Stafford
Direct Unsubsidized	Unsubsidized Federal Stafford
Direct Grad PLUS	Federal PLUS
Direct Subsidized Consolidation	Subsidized Federal Consolidation
Direct Unsubsidized Consolidation	Unsubsidized Federal Consolidation

Private Loans (a.k.a. alternative loans)

Private loans are made through private lenders such as banks, credit unions, schools, and other financial institutions. Here are some examples of private loans:

SoFi MBA Private Loan
Sallie Mae Smart Option Loan
Discover Student Loan
Wells Fargo Student Loan

Research your loan terms

HELPFUL HINT:

Once you've tracked everything down, make a list/spreadsheet of your loans and their important details.

Do you know *and understand* your loan terms?

When researching your loans, it's important to understand the variables that impact the total amount you have to repay, including:

Monthly Payment Amount	What is the current amount you pay? Will this amount ever change? When and why?
Interest Rate & Fees	Is the rate variable or fixed? What is the rate? Are there fees for prepayment?
Loan Repayment Term	How long do you have to repay your loan? Can this be changed and when?
Borrower Benefits	Are interest rate reductions available for enrolling in auto-payment programs? Are there any other financial incentives?
Loan Forgiveness & Protections	Do you qualify for any loan forgiveness programs? Do you anticipate struggling to make monthly payments?

A smart repayment strategy will optimize these factors for your specific situation.

Understand Your Options

Did you know...?

...you may be able to refinance your student loans at a lower rate if your financial situation and credit score have improved since you first took out your loans?

...federal consolidation **doesn't save you any money**, since you're simply charged the weighted average interest rate of the loans being combined. You also lose the ability to pay off higher interest rate loans first!

...you will pay more over the life of your loan if you extend your repayment term.

What is student loan refinancing and consolidation?

Your loan types play an important role in understanding refinancing and consolidation. These terms are often used interchangeably. However, there are different implications depending on whether it's a federal or private lender offering the service.

Refinancing

Refinancing is a process where the proceeds of the new private loan go to pay off one or more federal and/or private loans. The refinancing loan has a lower interest rate that is based on your credit score and other relevant financial information. The term of the refinancing loan may be longer or shorter than the remaining term of the loans you are refinancing.

Consolidation

Federal consolidation combines multiple federal loans into one new federal loan with an interest rate that is a weighted average of existing loans.

Private consolidation combines one or more private loans into one new private loan with an interest rate that is based on your credit score and other relevant financial information. ***Essentially, when you consolidate your private loans, you are also refinancing to get a better interest rate or longer repayment term.***

Evaluate Your Options

HELPFUL CALCULATORS:

Loan Payments

<http://www.finaid.org/calculators/loanpayments.phtml>

Federal Direct Consolidation

https://loanconsolidation.ed.gov/loancalc/servlet/common.mvc.Controller?controller_task=startCalculator

*Graduate and professional students are not eligible to receive Direct Subsidized Loans for loan periods beginning on or after July 1, 2012.

Do your current loans have high interest rates?

Deciding to refinance depends on the interest rates of your existing loans. Refinancing your loans at a lower interest rate can save you money over the life of the loan. Here's a look at the fixed federal rates in recent years:

Graduate & Professional Students	First Disbursed	Interest Rate
Direct Unsubsidized Loans	7/1/15-6/30/16	5.84%
	7/1/14-6/30/15	6.21%
	7/1/13-6/30/14	5.41%
Direct Subsidized & Unsubsidized Loans	7/1/06-6/30/12	6.80%
Direct Graduate PLUS Loans	7/1/15-6/30/16	6.84%
	7/1/14-6/30/15	7.21%
	7/1/06-6/30/13	7.90%
Undergraduate Students	First Disbursed	Interest Rate
Direct Subsidized & Unsubsidized Loans	7/1/15-6/30/16	4.29%
	7/1/14-6/30/15	4.22%
	7/1/13-6/30/14	3.86%
Direct Unsubsidized Loans	7/1/06-6/30/13	6.80%
Direct Subsidized Loans	7/1/11-6/30/13	3.40%
	7/1/10-6/30/11	4.50%
	7/1/09-6/30/10	5.60%
	7/1/08-6/30/09	6.00%

Understand Your Options

HELPFUL WEBSITES:

Federal Student Aid

<http://studentaid.ed.gov/repay-loans/consolidation>

Direct Consolidation Application

<http://www.loanconsolidation.ed.gov/>

Federal Direct Consolidation Loan Program

A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan.

Eligibility	U.S. Citizens and Permanent Residents that have at least one Direct or FFEL loan that is in grace, repayment, (including deferment or forbearance), or default status.
Interest Rate	Fixed, based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1%, capped at 8.25%.
Fees	No application, origination, or prepayment fees.
Repayment Options	Multiple repayment plans available. Certain conditions apply.
Benefits & Protections	After consolidation, borrowers have access to special federal repayment programs for financial hardships and loan forgiveness programs.

Understand Your Options

LOAN FORGIVENESS TIPS:

FINAID.org

<http://www.finaid.org/loans/forgiveness.phtml>

Federal Student Aid

<http://studentaid.ed.gov/repay-loans/forgiveness-cancellation>

Federal Direct Consolidation Loan Program

Potential Benefits

Convenience

Make one monthly loan payment (for federal loans only)

Flexible

Multiple repayment plans available.

Loan Forgiveness

All or part of your loan may be forgiven if you meet certain requirements.

You Should Know...

If you extend your repayment term to make lower monthly payments, you will increase the total amount you have to repay.

Since certain conditions must be met, everyone will not qualify for every repayment plan.

Typically, these programs are only for those who:

Work in **public service**

Perform **volunteer work**

Perform **military service**

Teach at designated schools

Practice **medicine** in certain locations

Understand Your Options

HELPFUL TIP:

Interested in consolidating your private loans? These programs allow borrowers to consolidate (refinance) their private loans:

Cedar Education Lending

CU Student Choice

Sun Trust

Wells Fargo

Other programs:

<http://www.finaid.org/loans/privateconsolidation.phtml>

Private Consolidation Loan Programs

These are private loans made by private lenders that allow you to combine one or more private student loans into one new private loan at a lower interest rate. These programs are similar to refinancing programs, but won't include federal loans.

Eligibility	(Varies by lender.) U.S. Citizens and Permanent Residents that have at least one private loan that is in grace or repayment. Some lenders allow international residents to apply with a U.S. Cosigner.
Interest Rate	(Varies by lender.) Variable and fixed interest rates are available. Usually based on credit and other relevant financial information.
Fees	(Varies by lender.) Some lenders do not charge any application or origination fees.
Repayment Options	(Varies by lender.) Multiple plans are available and some plans may require minimum balances.
Benefits & Protections	(Varies by lender.) Many lenders offer discounts for enrolling in monthly AutoPay programs. After consolidating, borrowers do not have access to the benefits and special consumer protections associated with the federal programs. Most lenders will offer programs to assist borrowers struggling with payments.

Understand Your Options

Private Consolidation Loan Programs

Potential Benefits	You Should Know...
Convenience Make one monthly loan payment.	Federal loans cannot be included and will require a separate monthly payment.
Low Rates Lenders provide fixed and variable interest rates.	Rates are usually determined by your credit history and length of repayment term. Some lenders may require a cosigner.
Affordable Lower monthly payments by extending repayment term or getting a lower interest rate.	Extending the years of repayment usually increases the total amount you repay over the life of the loan. If you get a lower rate with the same repay term, you can lower monthly payments.
Flexible Multiple repayment plans available.	Since certain conditions must be met, everyone will not qualify for every plan.

Understand Your Options

HELPFUL TIP:

Compare your student loan debt information to see how you could lower monthly payments and save on total interest by reducing your student loan interest rate.

<https://www.sofi.com/student-loan-calculator/>

Student Loan Refinancing Programs

These are private loans made by private lenders that allow you to combine one or more **federal and private** student loans into one new private loan with a lower rate.

Eligibility	U.S. Citizens and Permanent Residents that have at least one federal or private student loan.
Interest Rate	(Varies by lender.) Lenders offer fixed and variable interest rates that are typically based on your credit history. Some lenders may require a cosigner if your credit history does not meet their requirements.
Fees	(Varies by lender.) Some lenders do not charge any application, or origination fees.
Repayment Options	(Varies by lender.) Lenders offer multiple repayment plans and some offer repayment assistance programs for borrowers struggling to make payments.
Benefits & Protections	<p>(Varies by lender). Many lenders offer discounts for enrolling in monthly AutoPay program. Some offer cancellation programs in the case of death/disability.</p> <p>After refinancing, borrowers do not have access to the benefits and special consumer protections associated with the federal programs. Most lenders will offer programs to assist borrowers struggling with payments.</p>

Understand Your Options

Student Loan Refinancing Programs

Potential Benefits	You Should Know...
Convenience - Make one monthly loan payment for all of your loans.	You can choose to refinance federal and/or private loans. If you refinance both, you will have one monthly payment.
Low Rates - Fixed and variable interest rates available. Variable rates are often based on Prime and LIBOR indices.	(Varies by lender.) Usually, rates will depend on your credit history, credit score and debt to income ratio, among other factors. Some lenders may require a cosigner if you do not meet their credit criteria.
Savings - Depending on term, lower monthly payments and the total cost of your loan.	(Varies by lender.) Depending on your interest rate and repayment term, you'll likely have lower monthly payments and pay less over the life of the loan. Increase savings by reducing your repayment term.
Flexible - Multiple repayment plans and terms available.	(Varies by lender.) Since certain conditions must be met, everyone will not qualify for every plan.
Additional Services	(Varies by lender.) Some lenders offer non-financial benefits including unemployment protection, access to professional networks, career advising, and support for entrepreneurs.

Understand Your Options

HELPFUL PROGRAM INFORMATION:

Public Service Loan Forgiveness

<http://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service>

Teacher Loan Forgiveness

<http://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/teacher>

Income Driven Repayment

<http://studentaid.ed.gov/repay-loans/understand/plans/income-driven>

Should you refinance, consolidate, or neither?

If you have federal loans and anticipate needing or qualifying for federal loan benefits. Some federal loans offer special protections and loan forgiveness programs ***that will not transfer*** to a private lender.

Program	Who Should Be Concerned?
Public Service Loan Forgiveness	Those who work full-time in qualified public service jobs may qualify to have remaining loan balance forgiven after making 120 eligible payments.
Teacher Loan Forgiveness	Those who teach full-time in designated schools or educational service agencies that serve low-income families may qualify to have up to \$17,500 forgiven, after teaching 5 consecutive years and making eligible payments.
Income Based Repayment	Those who anticipate or are experiencing financial hardship as defined by the federal government, may qualify to have monthly payments capped at 15% of discretionary income. Then, any remaining balance is forgiven after making 25 years of eligible payments.
Pay As You Earn	Those with high federal student loan debt relative to their income may qualify to have monthly payments capped at 10% of discretionary income. Then, any remaining balance is forgiven after making 20 years of eligible payments.

Evaluate Your Options

Which option best fits your strategy?

Now that you have a handle on the nature of your loans and your available options, it's time decide if any of these options fit into your repayment strategy.

Your Strategy	Have Private Loans?	Options
Lowering monthly payments	Yes	Private Loan Consolidation Student Loan Refinancing
Lowering monthly payments	No	Federal Direct Loan Consolidation Student Loan Refinancing
Paying off faster	Yes	Private Loan Consolidation Student Loan Refinancing
Paying off faster	No	Student Loan Refinancing

Now let's compare options and strategies with some examples.

Evaluate Your Options

HELPFUL CALCULATORS:

Student Loan Refinancing and Private Consolidation

<http://www.finaid.org/calculators/loanpayments.phtml>

Federal Direct Consolidation

https://loanconsolidation.ed.gov/loancalc/servlet/common.mvc.Controller?controller_task=startCalculator

Example #1: Lowering Monthly Payments

Jenna plans to start her own business. She is evaluating options to lower her monthly student loan payments and increase cash flow.

She currently owes \$100,000 in federal and private loans. Her monthly loan payments total \$1163.33. Other important loan terms are below:

Jenna's Loans:	Federal Direct Unsubsidized Loan	Federal Direct Grad PLUS Loan	Private Loan
Loan Balance:	\$50,000	\$25,000	\$25,000
Interest Rate:	6.21%	7.21%	8.5%
Monthly Payment:	\$560.39	\$292.98	\$309.96
Repay Term:	10 years	10 years	10 years
Total Interest*:	\$17,246.80	\$10,158.34	\$12,196.00

*This example assumes no deferment period, immediate repayment, scheduled payments are made for full loan term, and no periods of hardship forbearance/deferment.

Evaluate Your Options

HELPFUL CALCULATORS:

Student Loan Refinancing and Private Consolidation

<http://www.finaid.org/calculators/loanpayments.phtml>

Federal Direct Consolidation

https://loanconsolidation.ed.gov/loancalc/servlet/common.mvc.Controller?controller_task=startCalculator

Example #1: Lowering Monthly Payments

Using the calculators on the left, Jenna entered her current loan terms (loan amount, interest rate, repayment term, etc.) to evaluate her potential loan terms with each option:

Federal Direct Loan Consolidation Program

New mo. payment:	\$480.23	Mo. loan payments were reduced by \$373.14/mo.
New loan amount:	\$75,000	Only includes federal loans
New interest rate:	6.625% fixed	Interest rate is a weighted average
New total interest:	\$97,883.96	Total interest was increased by \$70,478.82
New repayment term:	30 years	Repayment term was extended by 20 years

Private Loan Consolidation Programs

New mo. payment:	\$228.07	Mo. loan payments were reduced by \$81.89/mo.
New loan amount:	\$25,000	Only includes private loan
New interest rate:	7.24% fixed	Interest rate was reduced by 1.26%
New total interest:	\$16,054.17	Total interest was increased by \$3858.17
New repayment term:	15 years	Repayment term was extended by 5 years

Student Loan Refinancing Programs

New mo. Payment:	\$1,078.59	Mo. loan payments were reduced by \$84.74/mo.
New loan amount:	\$100,000	Includes federal and private loans
New interest rate:	5.365% fixed	Interest rate was reduced by 0.85 - 3.14%
New total interest:	\$29,430.11	Total interest was reduced by \$10,171.03
New repayment term:	10 years	Repayment term remains at 10 years

After evaluating the above options, Jenna realizes to lower her monthly payment, she will pay more interest over the life of the loan, unless she refinances at a lower interest rate.

Evaluate Your Options

HELPFUL CALCULATORS:

Student Loan Refinancing and Private Consolidation

<http://www.finaid.org/calculators/loanpayments.phtml>

Federal Direct Consolidation

https://loanconsolidation.ed.gov/loancalc/servlet/common.mvc.Controller?controller_task=startCalculator

Example #2: Paying Loans Off Early

Michael's financial situation has improved since he began repaying his student loans. He is interested in evaluating his options to determine which option will allow him to pay off his loans as quickly as possible.

He currently owes \$200,000 in federal and private loans. His important loan terms are below:

Michael's Loans:	Federal Direct Unsubsidized Loan	Federal Direct Graduate PLUS Loan	Private Loan
Remaining Loan Balance:	\$75,000	\$50,000	\$75,000
Interest Rate:	6.21%	7.21%	9.5%
Monthly Payment:	\$1,103.21	\$759.78	\$1,225.80
Remaining Repay Term:	7 years	7 years	7 years
Total Interest*:	\$17,669.40	\$13,821.22	\$27,967.04

*This example assumes no deferment period, immediate repayment, scheduled payments are made for full loan term, and no periods of hardship forbearance/deferment.

Evaluate Your Options

HELPFUL CALCULATORS:

Student Loan Refinancing and Private Consolidation

<http://www.finaid.org/calculators/loanpayments.phtml>

Federal Direct Consolidation

https://loanconsolidation.ed.gov/loancalc/servlet/common.mvc.Controller?controller_task=startCalculator

Example #2: Paying Loans Off Early

Using the calculators on the left, Michael entered his current loan terms (remaining loan amount, interest rate, repayment terms, etc.) from the previous slide to evaluate his potential loan terms with each option:

Private Loan Consolidation Programs

New mo. Payment:	\$1,493.60	Increases private loan mo. payment by \$267.80/mo.
New loan amount:	\$75,000	Only includes private loan
New interest rate:	7.24% fixed	Interest rate was reduced by 2.26%
New total interest:	\$14,615.78	Total interest was reduced by \$13,351.26
New repayment term:	5 years	Repayment term was reduced by 2 years

Student Loan Refinancing Programs

New mo. Payment:	\$3,717.25	Increases total loan payments by \$628.46/mo.
New loan amount:	\$200,000	Includes federal and private loans
New interest rate:	4.375% fixed	Interest rate was reduced by 1.22 - 4.51%
New total interest:	\$23,034.78	Total interest was reduced by \$36,422.88
New repayment term:	5 years	Repayment term was reduced by 2 years

Michael did not even evaluate the Federal Direct Consolidation Loan program because it would only extend his repayment term, costing him more money. However, refinancing at a lower interest rate and reducing his repayment term, will allow him to pay his loan off early and pay less interest over the life of the loan.

Summary

QUESTIONS????

Should you have any questions about student loan refinancing or consolidation, contact your financial aid office or lenders directly.

What's Your Repayment Strategy?

As you can see, knowing if student loan refinancing or consolidation are options for you, depends on a number of different factors, including your current interest rates. If you don't anticipate needing or qualifying for federal loan benefits, refinancing or consolidation may help you get a lower rate on your loans, reduce the term of your loan, and save you money!



Know what you owe



Research your current loan terms



Understand your options



Evaluate your options

If your financial situation changes, re-evaluate your repayment strategy and the options available to you. Good luck!