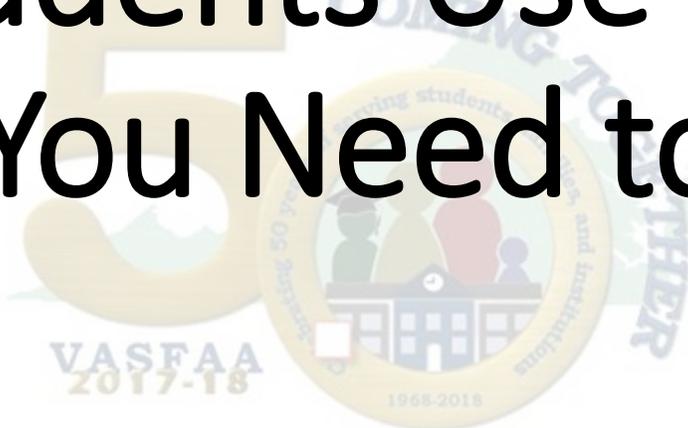


How Students Use Credit & What You Need to Know



Cecelia Dwyer
College Ave Student Loans

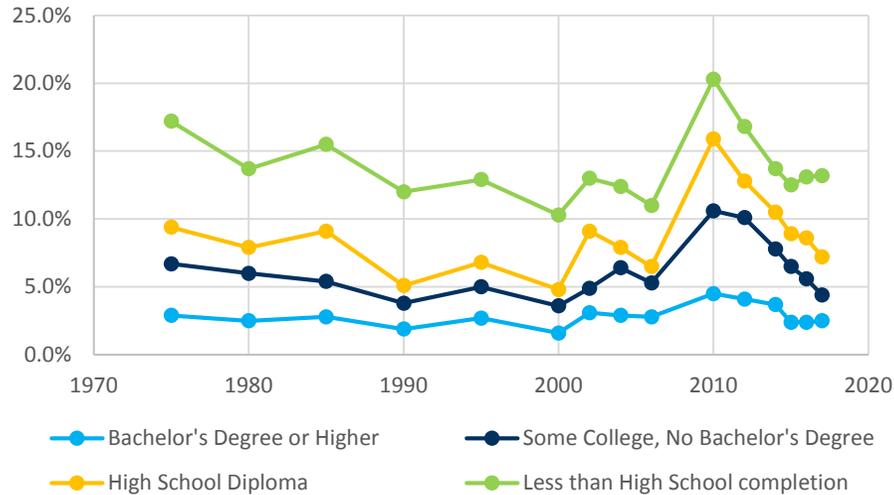
Agenda

- Level set – misconceptions about student debt
- Private credit within the student loan ecosystem and compared to other consumer assets
- Tools available for borrowers, to help them better understand their credit and debt obligation
- Final Thoughts



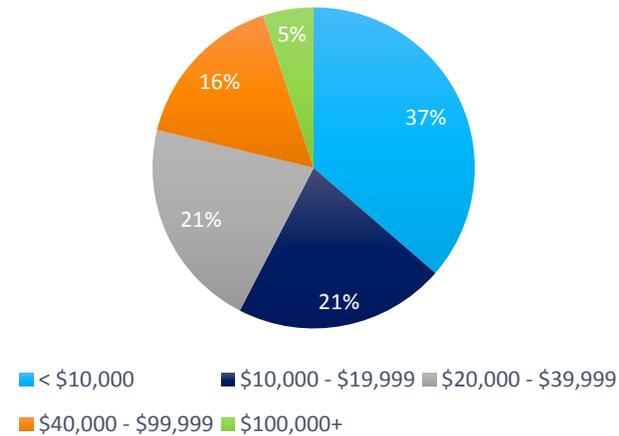
Student outcome misconceptions – high unemployment rates and high debt balances

Unemployment Rate
25-34 Year Old Population



- There is a clear correlation between level of education and the unemployment rate.
- In 2017, the unemployment rate for individuals age 25-34 who had completed their bachelor's degree was 2.5%, whereas those who only completed high school was 8.9%.

Outstanding Debt Balances
through 2017

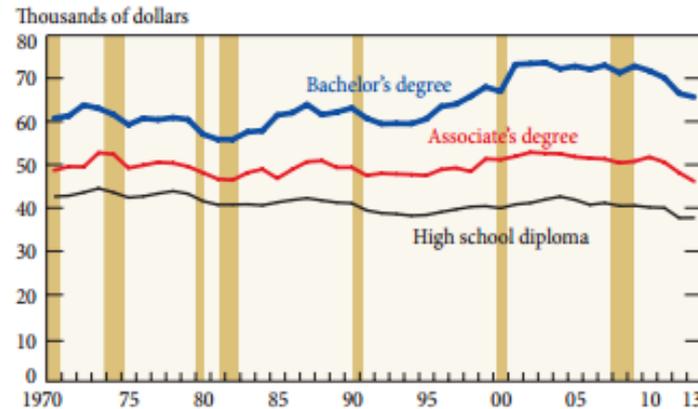


- In 2017, 38% of borrowers with education debt owed < \$10,000 for undergraduate and graduate study combined.
 - 57% owed < \$20,000
- In AY 15/16, 60% of students had student loan debt. The average debt per borrower was \$28,400. The average debt per graduate was \$16,900.



Student outcome misconceptions – minimal economic benefits

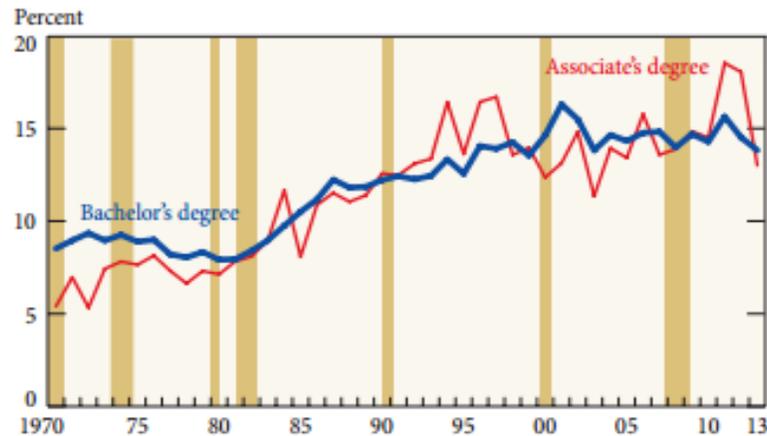
**Average Annual Wages, by Education
1970-2013**



- Between 1970 and 2013, those with a bachelor's degree earned about \$64,500 per year and those with an associate's degree earned about \$50,000 per year, while those with a high school diploma earned only \$41,000 per year.
- Thus, over the past four decades, those with a bachelor's degree have earned 56% more than high school graduates while those with an associate's degree have tended to earn 21% more than high school graduates.

Student outcome misconceptions – minimal economic benefits

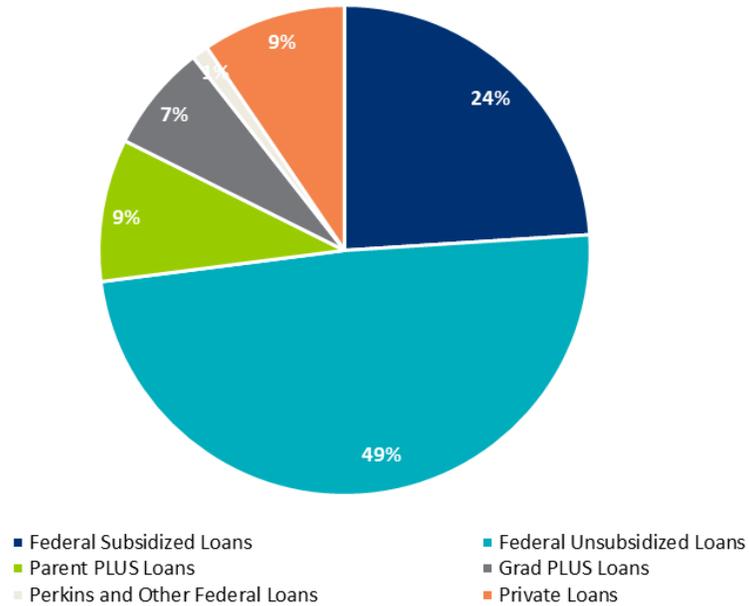
**Return to Bachelor's and Associate's Degrees
1970-2013**



- The return on a bachelor's degree averaged about 9% during the 1970s, and then nearly doubled to about 16% by 2001, and has remained at around 14 to 15% for the past decade.
- These rates of return indicate that, for the average student, a college degree remains a good investment.
- To add perspective, investing in stocks has yielded an annual return of 7% and investing in bonds an annual return of 3% since 1950.

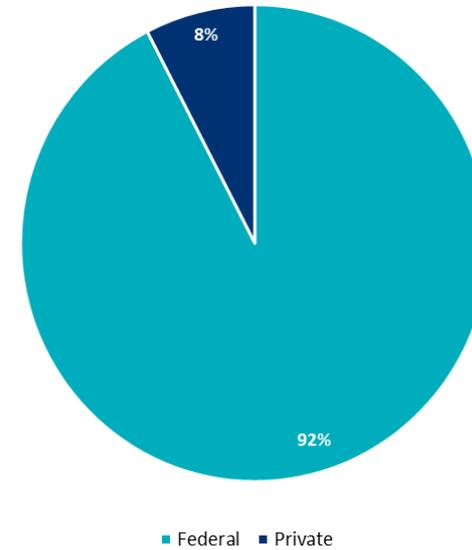
Private student loans represent a small portion of the pie

Distribution of Federal & Nonfederal Student Loans



- Private loans represent 9% of new originations annually

Outstanding Balances



- Private loans represent 8% of student loan outstanding

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Federal vs. private student loans – a world of difference

	Federal	Private
Objective	Provides access	Meet a consumer financial need
Screening (Dependent)	Parent	Parent & Student
Underwritten	No	Yes
Obligation	Student	Parent & Student
Originator	ED	Lender
Investment	Treasury	Private
Servicer	Multiple Contractors	Usually lender
Collector	Outsourced	Usually lender
Bankruptcy discharge	No	No
Consumer Reporting Exposure	✓	✓



Student loans vs. other consumer assets

	Secured Loan	Unsecured Loan	Student Loan
Examples	<ul style="list-style-type: none"> • Auto Loan • Mortgage 	<ul style="list-style-type: none"> • Credit card • Personal loan 	<ul style="list-style-type: none"> • Private • Federal
Loan Type	<ul style="list-style-type: none"> • Asset backed 	<ul style="list-style-type: none"> • General purposed 	<ul style="list-style-type: none"> • Need-based
Underwriting	<ul style="list-style-type: none"> • Consumer credit reports combined with asset valuation 	<ul style="list-style-type: none"> • Consumer credit report centric 	<ul style="list-style-type: none"> • Private-Consumer credit report centric
Risk Mitigants	<ul style="list-style-type: none"> • Asset collateral protects the loan • Down payment for more security 	<ul style="list-style-type: none"> • Limit amount borrowed • Limit repayment period 	<ul style="list-style-type: none"> • Little to no risk mitigants • Extended loan commitment • Long repayment term



Student loan lenders sign up for the burden of responsibility

- Must maintain the highest standards for PSL
 - Major debt obligation at early stage in life
 - Deals with inexperienced credit users
 - Hazard of financing an incomplete experience
- Must constantly reinforce the obligation to pay



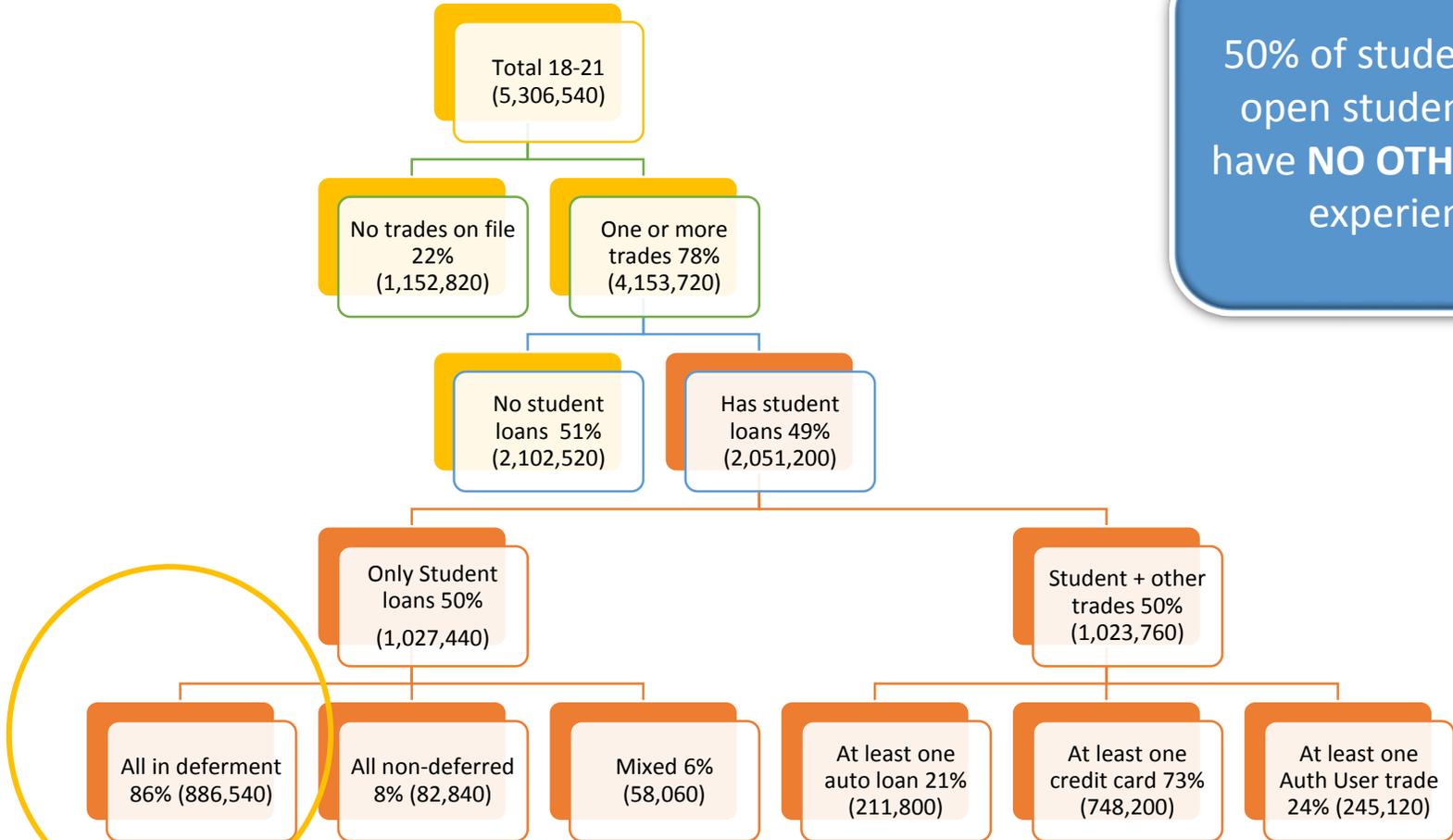
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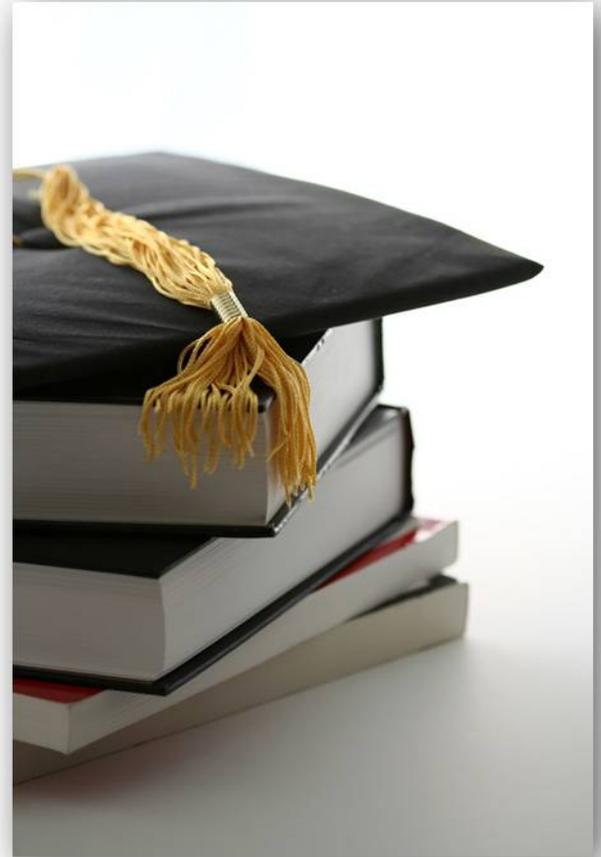
What do students know about credit?

50% of students with open student loans have **NO OTHER** credit experience.



Every student should understand what a credit report is

- Your personal credit report includes a record of your financial accounts and obligations and the identification information associated with them
- This report is sometimes called a credit file or a credit history
- Credit reporting companies collect and organize data about your credit history from your creditor's and public records

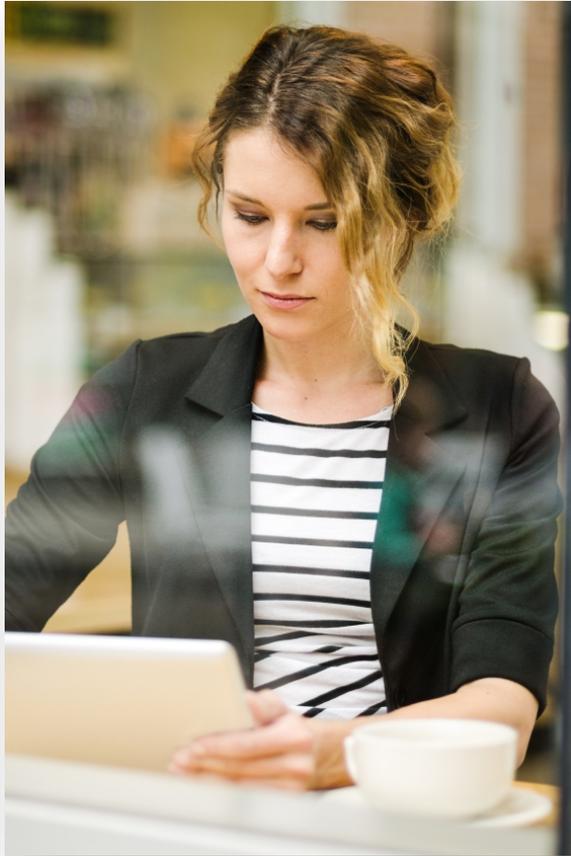


Every student should understand why a credit report is important

Why a credit report is important

- Lenders use credit reports and credit scores to gauge the likelihood that you will pay back a loan
- Reports are also used in other non-lending situations – employment checks, apartment rental applications, utilities, cellular phones, etc.
- Your credit report serves as your **financial references** to companies with whom you want to do business

A strong credit history enables you to obtain a credit card, home and auto loans and other valuable credit services, and can affect the amount that you pay for those services



Every student should know what's included in a credit report



Identifying information



Account information



Public record information



Inquiries



Dispute instructions

Credit report

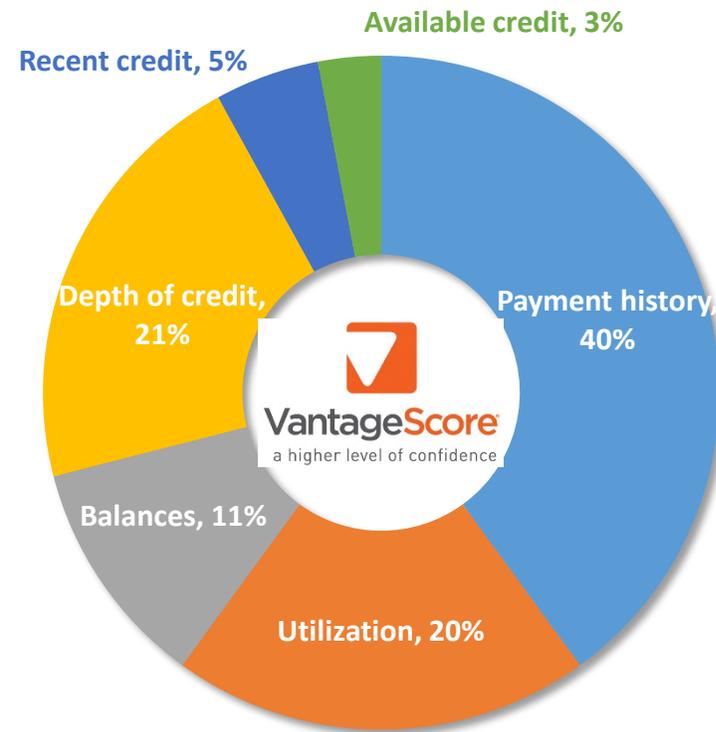
Every student should know what a credit score is

- Valuable risk management tool used to determine an individual's risk of defaulting on a loan
- Many different models, with many different scales available from many different sources
- The credit scoring formula is proprietary to the developer
- Credit scores are **not** part of a credit report



Every student should know what factors influence a credit score

VantageScore® 3.0 credit score



Education resources on the web

Free annual FACT Act credit report

- www.annualcreditreport.com
Access to free report from each of the three credit reporting companies

Experian

- www.experian.com/crediteducation
Ask Experian advice column, sample consumer report, frequently asked questions
- www.livecreditsmart.com
Credit trends and information to inspire consumers to use credit wisely
- www.experian.com/consumereducation
Electronic versions of published materials, sample credit report, videos, PowerPoint presentations with talk notes and more



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Start the journey...wisely

- Credit is not something that will be automatically ready for you when you need it. It has to be built, carefully and thoughtfully over time.
- Understand that credit is a **privilege**. With proper credit knowledge and demonstrating good credit behaviors, you will reap the rewards of a stellar credit history and score.

Student loan misconceptions remedied by high standards

Simple

- Make sure the loan application is not complex to complete and understand

Clear

- Disclosures are clear
- I understand the obligation
 - The amount I must repay-principal and interest
 - For how many years
 - My interest rate
 - Are there any fees?
 - Prepay without penalty

Personalized

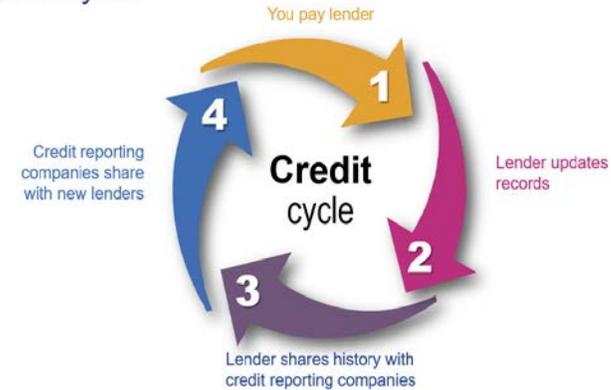
- The loan fits my unique needs and situation
- I am an informed consumer!



Final thoughts: 6 easy steps to help your students & families

1. Educate yourself – done!
2. Remember that credit is starting for your students at the doorstep of your institution
3. Have conversations about the impact of debt on your students' future
4. Discuss the benefits of making monthly payments while in school
5. **Sample Credit Report** – use a sample credit report to talk to your students about what's on it. See:
<http://www.experian.com/assets/consumer-products/credit-educator/experian-sample-report.pdf>
6. Use the tools made available to you through Jump Start, credit bureau's, etc.

The credit cycle



FILE FROZEN DUE TO STATE LEGISLATION. Options

Add statement(s)

Add personal statement

[back to top](#)

Potentially negative items

No Public Records appear on your report.

Account name	Account number	Recent balance	Date opened	Status	Dispute
123 CREDIT CARDS	40034424904 ...	\$273 as of 06/03/2015	11/2013	Open	Dispute
2000 MAIN ST ANYTOWN, USA 12345 No phone number available Address identification number 0122860651	Type Credit card Terms Revolving	Credit limit or original amount Not reported High balance \$14,219 Monthly payment \$10 Recent payment amount \$0 Past due amount \$20	Date of status 06/2015 First reported 12/2013 Responsibility Individual		

Account history

Payment history guide

30 days past due as of Jun 2015

Thank You

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