



Help families navigate their student loan options



Agenda

- What we learned
- What are the borrower's options?
- Comparing loans
- How we can help
- Questions?
- Next steps



What We Learned



What families told us...

- Too much information is just as harmful as too little information.
- Tools are available but it's not clear how they all fit together.
- Students aren't confident making financial decisions.



What schools told us...

- Every family situation is unique, so it's difficult to speak to gap financing needs.
- Early student action can interfere with school process, particularly on credit-based loan options
- Schools want assistance on the "How", taking into account the current regulatory environment.



What are the borrower's options?



Families should carefully compare options

When taking out a student loan borrowers should carefully compare all their options, including both federal and private student loans. This is particularly true when looking at financing options to pay for remaining costs not covered by other forms of financial aid

Every student's circumstances are unique. No one answer will work for everyone.



Federal student loan options

Encourage students to complete the FAFSA and explore all the low-cost or no cost options available to them. When looking at the federal student loan program, there are changes that students should know about.

For federal student loans disbursed on or after July 1, 2012:*

- Origination fee rebate has been **eliminated**
- No Direct Subsidized Stafford loans offered for graduate students
- Loan costs **increased** to:
 - 7.9% interest rate + 4% origination fee for Direct PLUS Loan for Graduate and Professional Students

*http://fafsa.ed.gov/ffaf/ Student Central Log Conditional Approvals and FAFSA and Repayment Issues Log



Private student loan options

Students should also consider private student loans. Changes to industry regulations in the private loan sector has lead to a competitive private loan market which has lead to better quality student loan products.

Fixed and variable interest rate options on many loans

- No origination, disbursement or early repayment fees on many loans
- Interest rate discount opportunities that further lower the cost²
- Loan forgiveness in the event of student's death or total permanent disability³



Rate choice

Many private loan lenders are now providing the choice of fixed and variable interest rates:

- **Fixed interest rates** are based on market conditions
- **Variable interest rates** are based on two factors:
 - The Index (Prime Rate or LIBOR) which can go up or down depending on market conditions, and;
 - The margin, which does not change

Rates are currently at historic lows and the Federal Reserve stated the federal funds rate is not expected to increase at least through late 2014.*

*Source: Federal Reserve at federalreserve.gov/newsevents/press/monetary/20120216a.htm



Competitive options

- 19.6% of the population has a credit score of **750-799***
- 18.1% of the population has a credit score of **800-850***

Borrowers or cosigners with the above credit scores may qualify for a private student loan that's priced more favorably than a federal student loan.

*Source: FICO Banking Analytics Blog at bankinganalytics.fico.com/2011/06/16/fico-scores-800-during-recession.html



Private student loans are sometimes the lowest-cost option

- When you factor in a good credit standing, choice of interest rate, and potential discounts provided, **private student loans are very competitive**, and may be the lowest-cost option among private and federal student loans.





Comparing Student Loans




A Loan Shopping Guide

Following are facts borrowers should know about each type of loan in order to make an informed decision:



<ul style="list-style-type: none"> • Federal Plus Loan Option • Party Responsible for the loan • Enrollment criteria • Rates available • Fees • When does payment begin • Repayment term • Cosigner/Parent release • Discounts available • Loan forgiveness 	<ul style="list-style-type: none"> • Private Loan Options • Party Responsible for the loan • Enrollment criteria • Rates available • Fees • When does payment begin • Repayment term • Cosigner/Parent release • Discounts available • Loan forgiveness
--	--

How to decide

To help students better understand the options available, here are some **questions families should ask themselves** when comparing loans broken down by the following criteria:

- Eligibility
- Loan costs
- Repayment features

Eligibility

Questions to ask when comparing **eligibility**:

- Who is the borrower on the loan?
- Will I need a cosigner and under what circumstances can the cosigner be released?
- Am I eligible if I am not going to school at least half time?
- Can I borrow for past due balances?
- Do I need to be enrolled in a degree-seeking program in order to qualify?



Cost comparison

Questions to ask when comparing the **cost** of student loans:

- What are the ranges of available interest rates?
- Is the lender offering fixed rates, variable rates, or both?
- Are there any loan fees?
- What types of loan discounts are available?
- What will the monthly payment be upon graduation?



Repayment comparison

Questions to ask when considering **repayment**:

- Is there a grace period after graduation?
- How long is the repayment term?
- Who will service my loans?
- What repayment options are available?
- Are there deferment or forbearance options?
- Is loan forgiveness available and under what circumstances?



Families can shop around

Students should make an informed decision before deciding on a loan. There is no down side to shopping around.

- Applying for a private student loan does not impact their eligibility for a Direct PLUS Loan for parents or graduate and professional students
- Applying for multiple credit-based student loans (rate shopping) in a 30-day window is treated as one inquiry when determining a credit score*

*Source: myfico.com



How We Can Help



When families need more money for college

Wells Fargo has developed a wealth of resources to assist students make informed decisions on how to finance their education.

- We recently developed a **loan information solution** that was crafted to help graduate students better understand the loan options available to cover out-of-pocket expenses remaining after other aid has been exhausted.
- We created various **educational pieces** to help better inform and educate students on the costs of borrowing and the differences between fixed and variable interest rate pricing
- We also have Wells Fargo specific private loan and federal loan **comparison charts**, promoting choice



Questions?

- Thank you for your time today!