Pathways to a Bright Future: Helping Students Lighten Their Debt Load

Sallie Mae’s 1-2-3 approach to paying for college®

Presented by:
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Outline

Survey results and findings
Sallie Mae’s role in reducing debt
The 1-2-3 Approach
Sallie Mae’s products and services supporting each step
Breaking down step 1: Free Money
- Upromise
- College Answer
- TuitionPay
The Lifeline of a borrower
Reinforce survey results
Benefits of TuitionPay
Students are graduating with heavy burden of debt

- $19,202 – Average cumulative amount borrowed for bachelor’s degree students graduating in 2003-04.

- $27,200 – Average cumulative amount borrowed for master’s degree students graduating in 2003-04.

*Per NCES (National Center for Education Statistics), 2006.*
Parents Regret Late Start to College Saving

There is a college-savings crisis in America.

• 61% of respondents said their initial paying-for-college research began after their child entered high school.

A late start to saving for college has left families making difficult decisions about how they will pay for higher education.

• 56% of parents believe that college is not affordable.
• 40% will use a federal loan to pay for college.
• 20% are considering private loans to help cover the cost of college.

Despite these findings…

• 82% of parents still believe that college is worth the cost

(Source: 2007 Survey of Parents of College-Bound Freshmen by Aspen Media and Market Research)
Providing Access and Encouraging Smart Borrowing

As the nation’s number 1 paying and saving for college company, Sallie Mae has developed services and products to help reduce the amount of money a student or parent may need to borrow to pay for college.

PLUS: Sallie Mae has developed financial literacy materials to educate all consumers as to the keys of borrowing wisely.

WHY?: Because a responsible lender should promote responsible borrowing.
Value of Education

Studies show that college graduates with at least a bachelor’s degree will, on average, earn $1 million more over the course of their lifetime than those holding a high school diploma alone.

Sources: U.S. Census Bureau, Current Population Surveys 2000
School Administrators: Vision and Goals

**Vision**

- Provide multiple financing options to families and students
- Control student debt by offering debt free payment options
- Lower borrowing levels
- Make it easier for student to attend college
- Counsel families and students on financial decision process

**Goals**

- Single point of contact for family and students
- Help families and students determine the “best” mix of financial options
- Provide complete saving and paying solutions for families and students
- Bridge the funding gap
- Encourage debt free payment options such as TuitionPay Payment Plan
Paying for college doesn’t have to be difficult. That’s why we developed Sallie Mae’s 1-2-3 approach to applying for college to help students get the funds they need in the most affordable order.

How does Sallie Mae help students find free money?
Timeline of Complete Solution

Complete Paying for College Solution

December - March
Acceptance Letter

March - April
Financial Aid Award
Bill Production

June - August
Bill Sent

July - September
Bill Due

October - December
Reconciliation

Billing File
Bill Production
Paper Bill
E-Bill

Need Help?

Pay In Full
TPP
Loan
Combo

Select Payment Solution and Channel

Online
Lockbox
IVR
Call Center

Payment Application
Update Student Account

1-2-3 Approach
Introduce:
Grants / Scholarships
TPP / Loan Combos

Financial Aid Award
Presentation
Mail / Email
Online / Phone

Mail / Enroll / Online
Phone / EFA
Financial Literacy

Package
Grants / Scholarships
TPP / Loan / Combo

3/25/2008

Sallie Mae
Champions for Higher Education®
MRN1  Not too keen on the colors of this graph - will continue to work on this.
What is the Complete Solution?

A: Financial Literacy Counseling & Education Finance Advisor
   Educating families and students on the best ways to pay for college utilizing the 1-2-3 Approach.

B: Financial Aid Award
   Packaging the best financing options for families and students, including grants, scholarships, work-study, Stafford loans and tuition payment plans.

C: Tuition Bill
   Providing multiple financing options (pay-in-full, installment and private loan options) to families and students to satisfy the “bill” (e-bill or paper)

D: Bill Resolution
   Advise families and students on optimal payment solutions
Sallie Mae: Reduce the Need to Borrow

Sallie Mae offers several tools to help families plan, save, and maximize free sources of money to pay for school.

Upromise®
Upromise Investments, Inc. is the nation’s largest administrator of direct-to-consumer 529 college savings plans. The free Upromise service allows members (along with their families and friends) to earn cash awards on their everyday spending and to invest their rewards in savings plans.

College Answer®
College Answer offers high school counselors, students and parents the most comprehensive source of free interactive college-planning tools - from preparing for entrance exams to selecting a college to paying for education. The site contains the largest, free online scholarship database, with more than 2.4 million scholarships worth more than $15 billion in funds.

TuitionPay® Plan
TuitionPay Plan breaks tuition costs into interest-free, manageable monthly payments, so parents and students don’t have to pay a large, lump sum.
The College Planning Timeline

Child’s Age      0    1     2    3    4    5    6    7     8   9  10   11  12  13 14  15   16  17  18  19  20  21  22  23  24

Upromise

College Answer   TuitionPay Plan

3/25/2008
Tuition Payment Plans

54% of families plan to use cash/savings to pay for college in 2008.*
– Increase from 52% in 2006

Families hope to be able to cover the cost of college with money they have on hand – but may not be able to cover the cost in a single lump sum.

Tuition payment plans help families reduce the amount they need to borrow, and make paying for college easier, and more affordable

TuitionPay Plan from Business Office Solutions

Sallie Mae’s TuitionPay Plan allows for faster, easier tuition payments.

- Breaks tuition costs into manageable monthly payments
- Plan customized to fit the needs of school and families
- Parents/Students can schedule automatic withdrawals, or
- Setup recurring payments
Sallie Mae TuitionPay Plan

- *Debt free financing option for families and students*

- 37 years ➔ 5 million families and students serviced

- 2007 ➔ $2.2 billion of debt free tuition payments to 750 schools

- Annually ➔ 300,000 families and students elect this program

- Each year ➔ 600,000 calls from families

- Tuitionpay.com ➔ 1.2 million unique visits from families
1-2-3 Approach to Paying for College

- **Total click-through rates:**
  - 2598 Scholarships & Grants
  - 1183 College Answer
  - 5809 TuitionPay Plan
  - 872 Federal Loans
  - 1023 Private Loans
  - 401 FAFSA
A Single Resource for Complete Payment Solutions

Create A Payment Strategy For Students

Counsel Students on Affordability

Recommend Best Plan to Resolve School Bill

Implementation by Phone, Form or Web

Reduce the students debt burden

3/25/2008
Resources

- Sallie Mae’s 1-2-3 approach to paying for college
  - [http://www.salliemae.com/before_college/planning-wisely/debtsavvy/before_borrow/123.htm](http://www.salliemae.com/before_college/planning-wisely/debtsavvy/before_borrow/123.htm)

- Sallie Mae partners with EDU, Inc. to increase access to college for African-American youth
  - [http://www.salliemae.com/about/news_info/newsreleases/013008a.htm](http://www.salliemae.com/about/news_info/newsreleases/013008a.htm)

- Parents regret late start to college saving, most consider college unaffordable
  - [http://www.salliemae.com/about/news_info/newsreleases/012908.htm](http://www.salliemae.com/about/news_info/newsreleases/012908.htm)
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Credit Education

February 27, 2008

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Agenda

- How Citi Cards Fits within the Citi Franchise
- Philosophy
- Citi Commitment to Financial Education
- Student Financial Profile and Credit Card Usage/Attitudes
- Citi Commitment to Credit Education
- Conclusion
- Quick Financial Management Tips for Helping Students
Citi Cards: A Key Business Unit within the Citi Franchise
Our Philosophy

- Citi is committed to providing best in class financial services to its customers.
- Credit cards are a necessary payment tool for students and a means for them to build credit history.
Financial education web site: citigroup.com/citigroup/financialeducation

Citi Financial Education Program
Knowledge is your greatest asset.®

Find More Information
Resources from Citi and Its Partners

Independent Financial Education Resources

- Jump$tart Clearinghouse — Financial education materials from kindergarten through college.
- NEFE Economic Independence Clearinghouse — Financial education materials for low to moderate income adults.
- Treasury Clearinghouse — Financial education materials that government agencies have developed.
- Federal Trade Commission — This site provides practical tips from the federal government and the technology industry to help you be on guard against Internet fraud, secure your computer, and protect your personal information.

Citi’s Financial Education Partners

- Aspira
- Do Something
- Junior Achievement
- National Academy Foundation
- National Community Reinvestment Coalition
- One Economy
- Operation HOPE
- Rainbow/PUSH Coalition
- Thirteen/WNET New York: Ed Online
- UK Career Academy Foundation
- United Way
- Urban League
Income
- Annual personal earnings of $5,246
- 56% have full or part-time jobs during the school year
- 96% of students report some personal income through summer or school year employment
- 68% receive money from home averaging $376 monthly

Age
- Average age is 20.7 years old.

Source: Student Monitor Study, Spring 2007
Credit cards are a fact of life among college students

- 38% have a general purpose credit card in their own name
  - Down from 44% two years ago
  - 29% of freshmen and 46% of seniors have their own card
  - 65% have a debit card
- Students have an average of 1.2 general purpose cards in their own name
- Only 8% of student monthly spending is on credit cards (36% is cash and 37% is ATM/debit)
- Top three items purchased with credit card:
  - Airline tickets – 44%
  - Textbooks – 31%
  - Car repairs – 29%
- 61% acquired their first credit card before age 19

Source: Student Monitor Study, Spring 2007
Benefits of Credit: Meeting Students’ Needs

➢ Helps build credit history
  • 50% of college students cite “establishing a credit history” as the primary reason for obtaining their first credit card

➢ Builds financial management skills
  • 69% of students agree that it is their responsibility to keep track of credit card spending

➢ Provides emergency protection and enhanced security
  • 20% of students want credit cards for use in emergencies

➢ Makes purchasing convenient
  • 35% of students want a card for the convenience

Source: Student Monitor Study, Spring 2007
Students Recognize Importance of Credit Education

College upperclassmen are practicing positive credit management, but still apprehensive about financial responsibilities post-graduation

- 50% acknowledge they could do a better job of managing their spending
- 48% believe their current spending habits will not have a major impact on their credit report in the future
- 48% believe strongly that they will be able to handle their credit and finances responsibly after graduation
- 92% feel that credit card education is very important for college students
- 53% want to increase their understanding of sensible credit management
- 76% rely on their parents for financial information
- 50% are likely to ask their parents for assistance if they are unable to meet financial obligations
- 69% rely on financial institutions and the Internet as sources for financial information

Source: Citi Credit-Ed/Synovate Annual Survey, March 2007
At Citi, our focus on the customer extends beyond providing a quality product. We are committed to providing materials, messages and services that help customers make the most of their money and fiscal security.

- National media campaign advocating responsible spending (Use Credit Wisely).
  - In 2006, Citi and the Citi Foundation invested nearly $32 million in 72 countries, for a total of nearly $85 million to date (well ahead of schedule).
- Credit-Ed program has distributed 5+ million credit education materials for free to students, administrators, and parents
- To further reinforce its commitment to credit education, Citi announced a newly enhanced usecreditwisely.com website in November 2007
Credit education starts at acquisitions and continues throughout the time a student is in college.

- Credit information at acquisition on all our applications
- Student-oriented credit education website
- Monthly themes conveyed to customers through on-going statement messaging, e-mails and inserts specifically designed for student customers – 30 messages/year to a customer
- Custom & branded credit education materials available for college administrators at no cost; materials are free for immediate downloads or order
Citi Commitment to Credit Education

Use Credit Wisely website for students:
www.Students.UseCreditWisely.com

Use Credit Wisely website for administrators:
www.CreditEd.com

Boost your financial IQ!
Take the Credit-ED® Challenge.

Think you have the know-how to use credit wisely?

Administartors:
Order free Credit-ED Challenge workshop materials and more!

From organizing on-campus financial education workshops and accessing free podcasts on a range of credit management topics to airing a cutting-edge, award-winning, animated television Public Service Announcement and much more, Citi’s Credit-ED® program offers a wealth of free materials to help you promote financial literacy among your students. We’ve made it easy for administrators like yourself to provide students with the guidance, ongoing support and free resources they need to use credit wisely.

> NEW! Free Credit-ED Podcast Series
> Credit-ED® Challenge
> Return to Students Use Credit Wisely home page.
Citi Commitment to Credit Education

Citi Credit-ED Challenge

- Developed to help address the fact that only 30% of students think their college provides them with the resources necessary to use credit responsibly*
- Features 1-hour, interactive, free financial education workshop that teaches students about budgeting, credit management, and the importance of a credit history
- After completing the challenge (either via on-campus workshop or online), students can take the certification quiz and become Credit-ED certified
- In 2007, the Credit-ED challenge was incorporated for the first time into a curriculum requirement for college freshmen of a major university – Drexel University’s LeBow College of Business

*Student Monitor Study, Spring 2006
Citi Credit-ED Challenge

- Available as both an on-campus workshop and as an online tutorial at www.students.usecreditwisely.com
  - Website is also where schools can order the kit, which contains all materials necessary for a facilitator to conduct the 1-hour interactive workshop:
    - Facilitator Guide
    - Student Handouts Booklet
    - DVD of students talking about credit
    - Flyers to advertise workshop
    - Credit-ED Public Service Announcement DVD
    - Access to the Credit-ED Challenge certification quiz
  - New, free downloadable Credit-ED Podcasts are also now available for administrators

*Student Monitor Study, Spring 2006
Citi Commitment to Credit Education

Credit Education Communication student examples

Think you have the know-how to use credit wisely?

CREDIT POP QUIZ (CONT.)

9) Grace period is...
   a) A class taught by Miss Manners.
   b) The time spent praying you will have the money to pay your monthly credit card bill.
   c) The period of time you have to pay new purchase balances before interest charges apply.

To find out more, check out www.StudentsUseCreditWisely.com
Annual Citi/Scholastic National Essay Contest

- Joint effort between Citi and Scholastic to help college-bound students prepare for life after high school with in-class lessons on money management
- Contest challenges students to submit essays describing a personal experience that positively affected their financial management skills
- Citi awarded $39,500 in college scholarships to 17 high school students as part of the fourth annual contest in 2007
Conclusion

- Credit cards have become a way of life with the modern day student. 38% of students have a general purpose credit card in their own name.
- Citi is committed to offering products and services that promote financial education.
- Citi provides extensive credit education for students and is dedicated to cultivating its relationships with students beyond college and into adult life with a portfolio of financial services.
- Responsible credit card usage allows students to build a healthy credit history.
Pay your bills on time; pay late and you not only incur a fee, but it can appear on your credit report for future lenders to see.

Budgeting is not a “bad” word, nor does it mean “not buying things I want.” Set up a monthly budget, and stick to it.

When applying for credit, provide complete, accurate, and consistent identification to set up a credit history correctly from the beginning.

Don’t apply for more credit cards than you need; too much available credit can make you look like a risk to future lenders. Find the card that suits your needs.

Keep balances well below your credit limits.

Review your credit report every year to check for inaccuracies.
Quick Tips for Students

Key messages to help students set up a realistic budget and stick to it:

- Start by listing all sources of income, including loans, scholarships, work and funds from parents or family.
- Subtract expenses such as tuition, books, meals and personal care; don’t forget to estimate and plan for variable expenses like cell phone calls or travel home for the holidays.
- Set aside money each month for emergencies.
- What’s left is your own personal “Credit line,” or the discretionary amount you can afford to spend each month on “fun stuff.”
- Finally, go over your budget every month and adjust it when needed; a budget helps you pay for what you need and afford what you want.