Welcome to the Credible Refinancing Guide!

You’re interested in refinancing your student loans but you have a few questions?

Great – there are few easier and better ways to save thousand of dollars!

Having said that, we realize that the refinancing process has some complexities so we’ve created this guide to answer any questions you have and hopefully simplify the process.

We’re always happy to help you learn and save!

Sincerely,

The Credible Team

The average user who refinanced with Credible saved $11,668 on their student loans.

Table of Contents:

1. Refinancing overview ........................................................................................................... 2
2. Things to consider when refinancing .................................................................................. 4
3. How to get the best offer .................................................................................................... 5
4. Repaying your student loans ............................................................................................ 6

Let’s start saving!
Overview:

What Exactly is Student Loan Refinancing?

A new student loan lender will buy out your loans from your existing servicers, allowing you to have a new loan at a potentially lower interest rate. This process will also consolidate all of the loans you refinance into one convenient payment.

Why Does Student Loan Refinancing Exist?

Refinancing exists because lenders are willing to give out loans to borrowers paying back their student debt that are superior to (i.e. at a lower rate), or at terms different than the original student loans.

The reasons this exists are threefold:

- **Lower interest rates.** Market interest rates have dropped considerably over the last few years and are often lower than a potential borrower’s current interest rates.

- **Lower risk of default.** When a student graduates and gains employment and a work history, they are suddenly a better candidate because their chance of default is lower.

- **Personalized offers.** Refinancing rates are based on the individual credit and financial situations of borrowers whereas federal loans are largely one-size fits all with everyone getting the same rate for most loans.

Success Story

“Refinancing allowed me to drop the overall lifetime interest paid on my loans from $75,000 to only $20,000, a savings of $55,000. As I prepare for my wedding and begin to look at houses with my fiancée, I cannot express how thankful I am for Credible” - Jordan Adams, Class of 2010
Overview:

How Do You Refinance Your Student Loans?

1. Find a lender willing to refinance your student loans. There are many lenders in the market that can refinance federal and private loans.

2. Submit an application to each lender. That generally requires your loan balance, income and credit score to get personalized refinancing offers.

3. Select the offer that you like, verify your personal information, and then accept the new loan.

The process to verify the information in your application and buy out your existing loans can vary by borrower, but usually occurs within just a few weeks.

How Can Credible Help?

Credible can make this process of finding a refinancing offer easier and more efficient. You can compare multiple personalized offers and find out if you can save in 30 seconds!

Compare with your peers
Find out if you’re paying too much for your existing loans. It takes just 30 seconds.

Submit one form
Complete our single offer request form. We’ve simplified the process of refinancing.

Choose the best offer
Receive personalized offers from multiple lenders. Select the one that’s right for you.
Things to Consider When Refinancing:

Long Term vs. Short Term Repayment

Interest rates are typically higher for longer repayment terms, but monthly payments are higher for shorter terms.

Take a look at a sample set of repayment options once offered by one of our lenders. The monthly payment may be higher for a 5-year loan, but the borrower would save almost $10,000 in interest.

<table>
<thead>
<tr>
<th>Years</th>
<th>APR</th>
<th>Monthly Payment</th>
<th>Total Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>3.41%</td>
<td>$740</td>
<td>$44,393</td>
</tr>
<tr>
<td>10</td>
<td>3.54%</td>
<td>$404</td>
<td>$48,450</td>
</tr>
<tr>
<td>15</td>
<td>3.91%</td>
<td>$300</td>
<td>$53,942</td>
</tr>
</tbody>
</table>

Fixed vs. Variable Rate Loan Repayment

<table>
<thead>
<tr>
<th></th>
<th><strong>Fixed</strong></th>
<th><strong>Variable</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Rate</strong></td>
<td>Rates will not change throughout the loan’s duration</td>
<td>Interest will increase or decrease periodically due to changes in a base rate set by large financial institutions</td>
</tr>
<tr>
<td><strong>Monthly Payments</strong></td>
<td>Monthly payments remain constant throughout the loan’s duration</td>
<td>Monthly payment will fluctuate periodically with changes to the interest rate of the loan</td>
</tr>
<tr>
<td><strong>Pros</strong></td>
<td>Predictability and certainty of monthly payments and interest rate over time</td>
<td>Generally offers a lower interest rate in the short term</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td>Fixed interest rates are in general, currently higher than variable rates in the short term</td>
<td>Less predictability of monthly payment amounts</td>
</tr>
</tbody>
</table>

Tip! Consider refinancing only your high interest loans and keeping your very low rates (<4%) to maximize your offer.
How to Get the Best Offer

6 Tips on How to Get the Best Refinancing Offer

Be in Good Credit Standing
Your credit score is very valuable in determining how good of a refinancing offer you will receive. It is recommended to have at least a 650 credit score. If you have an average credit score you will probably receive an average offer. Try to improve your credit score as much as possible before looking to refinance.

Have Long-term Work Experience
Proving financial stability will help remove risk that may concern lenders. Stable employment for over a year will help validate your financial situation as well as show proof of good standing on your current loan repayments.

Be Aware of Current Market Rates
Keep an eye on current market rates. Interest rates have been at historic lows signaling a prime time to refinance. Stay current on the trends in interest rates to make sure you are not missing out on the year’s best offers.

Apply with a Cosigner
Adding a cosigner can help most applicants receive a better interest rate on a loan. Be sure to choose a cosigner with great credit history and employment record. The idea of a cosigner is to add financial backing to your application, so the more qualified the cosigner is the better.

Have a Low Debt to Income Ratio
Regardless of what type of loan you are looking to take, having a good debt to income ratio is always important. Lenders will look at your monthly debt as a fraction of your monthly income. The lower your debt to income ratio the better chance you will receive the best refinancing offer possible.

Check out Multiple Lenders
Be sure to compare multiple lenders to find the best offer on the market. Lenders have different underwriting models that determine your loan eligibility, so your degree of qualification may differ between lenders. Check out Credible’s student loan marketplace to compare lenders and find the best offer possible.
Repaying your Student Loans:

How Much Income Should Go Towards Repayment?

**General Rule of Thumb**

Under most income-driven repayment plans, the monthly payment due is typically between 10-20% of your income. This can be a good guideline to follow when trying to determine how much you should expect to pay towards your student debt.

**Concerned about Saving?**

If you are concerned about saving for investment purchases such as a car or home, minimizing your monthly payment may be the ideal solution. Although your total lifetime repayment will likely increase, you will have more monthly cash available to you to jumpstart your future.

You can also maximize your overall student loan savings by prepaying your student loan debt.

**Income-Driven Plans:**

These plans tie your monthly payment to your income and are only available on federal loans.

**Pay As You Earn:**

20-year repayment plan that requires 10% of your discretionary income, but never more than the 10-year Standard Repayment Plan amount.

**ICR (Income-Contingent Repayment):**

25-year repayment plan that requires the lesser of what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income or 20% of your discretionary income.

**Income Based Repayment (IBR):**

25-year repayment plan that requires 15% (Not New Borrower after July 1, 2014) or 10% of your discretionary income (New Borrower after July 1, 2014), but always never more than the 10-year Standard Repayment Plan amount.

* Several factors such as income and family size can reduce or eliminate payment altogether

Note: We are not advisors. Please be sure to consult with your financial advisor to see what repayment options are best for you.

Parents Tip!
Lenders typically advice to limit their total debt repayments to 37% of their gross income.
Come Back to Us with All Your Student Loan Needs!

Credible is here to help with your student loans. See how much you can save by refinancing your student loans with Credible! If you have any questions at all, reach out to us directly at 415-801-0482 or email us at support@credible.com.

Check out our free service today!

The Credible Team