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Student Debt Retirement Program

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In the United States there is $1.6 trillion of outstanding student debt. This debt is held by 45 million individuals. For too many, the student debt burden is financially suffocating, preventing capital formation and delaying the life chapters of marriage, family, and home ownership.

This issue has become a political topic given the desire of politicians to attract these young educated voters to their campaigns. The only solutions offered focus on debt relief through taxation of the wealthy and free college in the future. There needs to be a better way.

The blockchain, creative finance, and the tokenization of student debt in the form of Security Tokens may offer a rational solution for those student debt holders that are willing to let others invest in them in exchange for a return on their investment that is based on a small percentage share of the student debt holder's future income.

The program described below was financially modeled using published statistics on student debt, student debt default rates, and income levels of college educated workers in the United States. The financial model assumed 25% of the existing debt would be accepted into the program and that the number of participants would equal 25% of the student debt population.

The capital raised to retire the debt would be in the form of zero-coupon bonds sold to Pension Funds, Insurance companies and other financial institutions in need of long-term assets with a fixed return.

The financial model indicates that the entity offering the program (the "Operating Entity" or "OE") would realize as income $28 Billion over the 25 to 30-year life of the program

Important features of the Student Debt program

The solution is not tied to the payroll system of employers at this time (in the future, when payrolls operate through a blockchain, smart contracts will automate the process). The current solution is represented by a contract on the blockchain between each student debt holder and the entity operating the program.

- The solution requires, per the terms of the contact, for the participating student debt holder to submit each year a copy of their IRS tax return with an accompanying payment to the Operating Entity based on the contractual income rate schedule of their % of income. At a future point in time this will be done automatically through smart contracts on the blockchain when the IRS is blockchain enabled.
- Due dates, notice dates, late payment dates and default actions are clearly disclosed.

- Annual payments are made by the student debt holder based on their filed tax returns, with participants encouraged to pay quarterly in advance based on estimated earnings for the year.
- Participating student debt holders must have received a four-year degree evidenced by a Bachelor of Science or the Arts degree.
- Participating student debt holders must have graduated from College at least 18 months prior to applying for the program.
- Participating student debt holders must be earning a minimum of $60,000 per year to qualify for the program
- A 10% default rate is assumed in the program's financial projections

Facts and Recommendations are listed on the following page

U.S. Student Debt Community

Debt Retirement Program

Facts and Recommendations

- Enroll Community members approximating 11,250,000 participants from the Student Debt community (based on assumed 25% participation for modeling purposes and as an example for discussion).
- The Contracts between each student debt holder and the OE reside on the blockchain and are evidenced by issued tokens in fixed dollar amounts.
- Eligible participants must have completed a four your degree program and received a Bachelors' degree.
- **Eligible participants must have graduated with a BS/BA degree and been out of school for at least 18 months**
- **Eligible participants must be earning no less than $60,000 per year** at the time of electing to participate in the program (note: this income level could be adjusted downwards based on actual experience of the program. To start, this threshold is deemed within the range of debtors that are less likely to default)
- If the program performs in-line with the modeled example, generating cash flows to the OE that exceed the level needed to retire the zero-coupon debt and the modeled return from operating the program, then **additional program modifications may be implemented that target those earning under $60,000 per year who are contributing to society in important ways that add to the social good (Teachers as one of the best examples)**
- **Each participant, based on annual income level, will pay between 1% and 5% of their annual income to the OE in exchange for the retirement of their Student Debt (under $100,000 in income has a 1% of annual income payment due ($1,000), between $100,000 and $300,000 has a 2% annual income payment due, etc)**.
- Community members make direct payment to the OE each year over 25 to 30 years (in Fiat or Crypto Stable Coins).
- Compliance of providing the Annual IRS income tax filing and payment of income % that is to be provided by Student Debt holders will be recorded to the OE's Reputation and Identity platform on the blockchain. **This is a self-policing and credit worthiness aspect of the program.**
- **$1.7 trillion of value is collected over 25 - 30 years from annual Tuition Income Participation Payments ("TIPPs"), before an assumed 10% level of default is applied.**
- Existing student debt of $400 billion is retired based on issuance of security tokens to institutional investors such as Pension Funds, Insurance companies, etc. **STOs represent zero-coupon bonds at a 4.25% annual rate of return. At maturity, $1.4 trillion is paid to STO Institutional holders based on the initial debt of $400 billion.**

- **$111 billion of $139 billion in excess TIPP collections returned to Students**
- **$28 billion of $139 billion in excess TIPP collections retained by the OE**
- Custody of funds/tokens, disbursement of funds/tokens, managed through a Custody solution
- Student Holders may prepay at any time the future value of their TIPPs obligation based on a 3.64% CAGR of their current income over the remaining years of their contract
- Receipt or failure to pay Tuition Income Participation Payments becomes part of a Reputation solution on the blockchain.
- Failure to pay notice issued 60 days after October 15. Uncured failure to pay by January 31 triggers an acceleration to the current date of the remaining 25 to 30-year projected TIPP collections at a 3.64% CAGR from current income level.
- **Uncured defaults after 180 days are pursued through the US courts, with no relief in bankruptcy as a tuition financing mechanism. Given the program enrollment criteria, the overall assumed level of uncollected defaults is no greater than 10% of the debt retired from the participating population.**
- Reputation and Identity blockchain systems will record and maintain data related to the program, providing universal KYC/AML/Verification, privacy protections of participant data, and validation capability for credit worthiness/credit scoring, thereby providing a self-policing community function above and beyond the risk of legal remedies that a participant bears.
- **Potential Extension of this OE solution/platform to the University Educational system to support Individual school Endowment programs is an additional application and opportunity of this approach in engaging alumni at the earliest stages of connection to the Universities.**