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Medical School Loan Repayment & Building Credit

Presented by:

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Presentation Objectives

- Medical School Loan Overview
- Forbearance or Repayment
- Understanding Credit
- The Most Important Score – Your Credit Scoring
- Contact Information

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Types of Loans

- Direct Stafford Direct Loans (Dept of Education)
- Direct PLUS Direct Loans (Dept of Education)
- FFELP Stafford
- FFELP PLUS
- Institutional Loan from School
- Perkins and PCL
- Private Bank or Other Lending Institution
- Who is the servicer for each loan?
- What are the interest rates for loans?
- Is interest subsidized for any of the loans during residency?
- What are forbearance and deferment policies?

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Repayment Options During Residency

- **Make payments**
 - Lowers total interest accrued over loan
 - May assist in loan
- **Deferment**
 - Must apply for deferments annually
 - On subsidized loans - Interest does not accumulate during deferments
- **Internship/Residency Forbearance**
 - Must apply for deferments annually
 - Interest accrues during forbearance period

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Repayment Options

- Standard Repayment
- Extended Repayment
- Graduated
- Income Contingent
- Income Based Repayment

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Federal Loan Forgiveness

- Public Service Loan Forgiveness
 - Work for 10 Years at qualified organization
 - • non-profit tax-exempt 501(c)(3) organization (i.e. - many medical schools and residency programs)
 - • Federal, state, local or tribal government organization, agency or entity
 - (*i.e. – public schools and colleges, public health centers, etc*)
 - • Military service
 - • Public service organization - a private organization providing a public service
 - Make 120 payments while employed at qualified org.
 - Income Based, Income contingent, Standard
 - All Direct Loans are eligible
- Student Loan Interest Deductibility

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Organizing Your Loans

- You are responsible for ensuring forbearance forms are sent on-time
- On-line bill payment
- Missed deadlines result in missed payments
- Delinquencies will impact your credit history

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Credit Reports and Scores

- What is credit
- What is on a credit report
- Who looks at credit reports
- The most important score – credit score
 - How is it calculated?
 - Why is it used?
- Obtaining a copy of your credit report
- Improving your score

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Credit Basics

- Credit – Utilizing something now (e.g. education, car or home) and paying for it over a period of time.
- 3 C's of Credit
 - Character – How well do you honor your financial obligations
 - Capacity – How easy will it be for you to repay the debt
 - Collateral – Will the loan be secured by something

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What's on the Credit Report?

- **Personal Information**

- Names, current & previous addresses, employers, DOB

- **Credit Information**

- Credit granted and history & timeliness of repayment, revolving, installment or open ended, payment patterns for past 7 years

- **Public Record Information**

- Records found on public documents: bankruptcies, tax liens, collection accounts, overdue child support

- **Inquiries**

- List of creditors and agencies who have requested your credit report

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Who Reviews Your Credit?

- Employers
- Landlords
- Automotive dealers
- Professional licensing boards
- Insurance companies
- Financial lenders
- Others



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Getting Your Credit Report

- www.Annualcreditreport.com
 - Receive a free copy of report from each of 3 bureaus
 - order report every 4 months to monitor
- Must provide free if denied credit within 60 days
- Review for accuracy annually
- Dispute incorrect information
- **MYFICO.COM**



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Poor Credit: Higher Cost for the Same Item

- Auto loan – extra \$100 per month borrowed
- Mortgage costs – extra \$200 to \$300 per month per \$100,000 borrowed
- Insurance costs, credit card costs, other borrowing - \$100's extra per month

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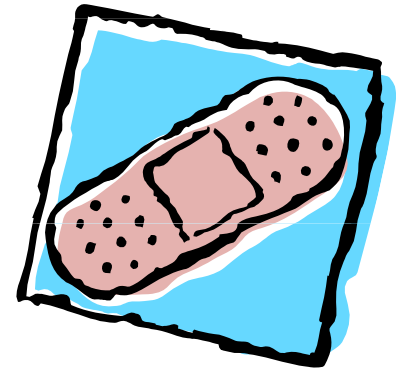
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Repairing Credit

- Document discrepancies in letter to the credit agency detailing:
 - Name, address, SSN
 - Account and account #'s disputing
 - The information you are disputing and why
 - Any documentation to support your claim
 - A request for an updated credit report reflecting the correct information
- You can write a statement that must be included in your credit report explaining a discrepancy



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What Is Your Credit Score?

- Forecast of how well you will repay a loan as agreed during the next 24 months – the higher the score, the better the forecast that you will repay
- Snapshot of your credit history at a particular point in time
- Only includes factors related to an individual's credit
- Always changing

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Credit Score Ranges

- FICO Scores range – 300 to 850
- Only 18% of population have a FICO Score of 800 or better
- 7% of population have scores below 500
- Question:
 - Do you want to be considered the best?

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Credit Score Factors



- Payment History - **35% or higher**
- Amounts Owed – 30%
- Length of Credit History – 15%
- New Credit – 10%
- Types of Credit in Use – 10%

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Score Factors: Payment History

- Payment history on all accounts
- Payment information on types of accounts
- Public records
- Number of accounts with no late payments
- Details on late payments
 - Severity, frequency, how recent, amount

How to Improve

- Pay bills on time
- If you miss a payment, get current
- Ask for help with lender

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Score Factors: Amount Owed

- Amount owed on accounts
- Balances compared to high credit or original balance
- Number of accounts with balances

How to Improve

- Keep balances low on credit cards
- Don't open multiple credit cards
- Pay off debt rather than moving it around

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Credit Impact: Slow Payments

One 60 day delinquency can decrease a credit score by...

- 50
- 75
- 100 points

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Credit Impact: Rates and Payments

Credit Score	APR	Monthly Payment
720-850	5.204%	\$752
690-719	6.728%	\$769
660-689	8.666%	\$791
620-659	12.235%	\$833
590-619	18.141%	\$906
500-589	19.258%	\$920
>500	Not eligible	

Source: Myfico.com – 36 month car loan - \$25,000

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Poor Credit: Costs vs. Savings

- Mortgage costs – extra \$200 to \$300 per month per \$100,000 borrowed
- Insurance costs, credit card costs, other borrowing - \$100's extra per month
- Pay extra for borrowing or pay yourself...

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Managing Finances Summary

- Track your loans
- Obtain a copy of your credit report
- Manage your credit wisely
- Time is on your side

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- Thank you for attending today's seminar

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Thank You!

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