Graduate Medical Education

PARTNERS OFFICE of RESOURCES for TRAINEES

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
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?
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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HARVARD UNIVERSITY EMPLOYEES CREDIT UNION
Repayment Options

- Standard Repayment
- Extended Repayment
- Graduated
- Income Contingent
- Income Based Repayment
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
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
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
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
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
Who Reviews Your Credit?

- Employers
- Landlords
- Automotive dealers
- Professional licensing boards
- Insurance companies
- Financial lenders
- Others
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**
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
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.
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
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?
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%
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
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
Credit Impact: Slow Payments

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

- 50 points
- 75 points
- 100 points
## Credit Impact: Rates and Payments

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<thead>
<tr>
<th>Credit Score</th>
<th>APR</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>720-850</td>
<td>5.204%</td>
<td>$752</td>
</tr>
<tr>
<td>690-719</td>
<td>6.728%</td>
<td>$769</td>
</tr>
<tr>
<td>660-689</td>
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<td>620-659</td>
<td>12.235%</td>
<td>$833</td>
</tr>
<tr>
<td>590-619</td>
<td>18.141%</td>
<td>$906</td>
</tr>
<tr>
<td>500-589</td>
<td>19.258%</td>
<td>$920</td>
</tr>
<tr>
<td>&gt;500</td>
<td>Not eligible</td>
<td></td>
</tr>
</tbody>
</table>

Source: Myfico.com – 36 month car loan - $25,000
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…
Managing Finances Summary

- Track your loans
- Obtain a copy of your credit report
- Manage your credit wisely
- Time is on your side
Thank you for attending today’s seminar
Thank You!

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