Looking Ahead

Preparing Financially for the Bar Exam

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Looking Ahead

What You’ll Need to Do

• Manage your student loans
  • Request deferment/forbearance on Grad PLUS/Consolidation loans
  • Notify loan holder(s)/servicer(s) of address change

• Pay your bills
  • Develop an affordable budget plan/spending plan
  • Apply for loan assistance, if needed
  • Check credit reports for errors
Deferment and Forbearance
Options to Postpone Payments

• You may be able to get temporary relief if you’re unable to make your required minimum monthly payment(s)

• Options include:
  • **Deferment**
    • Temporary postponement of your monthly student loan payments
  • **Forbearance**
    • Temporary postponement or reduction of your monthly student loan payments

• Contact your loan holder/servicer for more information
Deferment

Temporary postponement of monthly student loan payments

• Eligibility
  • Defined by law and the terms of your promissory note
  • Based on your earliest outstanding FFELP loan

• Interest subsidy for subsidized Stafford Loans
• You must request a deferment from the current holder/servicer of your loan(s)
• You must provide required documentation
• Loan must be in good standing

Contact your current loan holder/servicer for more information about deferment and/or to obtain the appropriate deferment request form
New FFELP borrowers as of 7/1/93 may be eligible for the following deferments:

- In-school *(at least half-time)*
- Education-related
  - Graduate fellowship program *(full-time)*
  - Rehabilitation training program *(full-time)*
- Unemployment
- Economic hardship
- Military

Contact your current loan holder/servicer for information about loan deferment eligibility if you first borrowed a FFELP loan prior to 7/1/93.
Economic Hardship Deferment

*Eligibility is based on:
* • Household AGI
* • Household size
* • Annual poverty guideline
* • State of residence
* • *Amount of eligible debt in repayment* (not applicable beginning 7/1/2009)
* • *Interest rate of eligible debt* (not applicable beginning 7/1/2009)
**Forbearance**

Temporary postponement or reduction of monthly payments, or extension of time for making payments

- You’re responsible for all accrued interest
- Discretionary forbearances may be available
- Must request a forbearance from your current loan holder/servicer
- Must provide whatever documentation is requested
- **Mandatory forbearance** may be available in certain cases including during medical/dental internship or residency
To successfully manage loan repayment, you should ...  

✓ Know how much you have to repay and to whom
✓ Understand the terms and conditions of your loans
✓ Define your short- and long-term financial goals
✓ Develop an affordable budget plan and estimate how much you can afford to pay each month on your debt
✓ Select the repayment plan that best achieves your goals given what you can afford to pay each month
✓ Take advantage of loan forgiveness programs when you qualify for them
✓ Keep good financial records
Building Your Own Budget and Saving on Spending
Budget Planning

Budget Planning Steps

• Identify your financial goals
• Quantify your resources
• Estimate your expenses
• Do the math—subtract expenses from resources to determine if you have a surplus or a deficit?
• Determine borrowing needs if you have a deficit
• Evaluate impact of your planned borrowing
• Adjust as necessary
Budget Planning

Use Tools

- Use tools such as worksheets, spreadsheets and/or online calculators to help you in your budget planning

- For example, Access Group offers the following online interactive calculators at AccessGroup.Org:
  - “Out-of-School Budget”
  - “Loan Repayment”
Beware When Budgeting

What if you ...

• Are helping to support others financially?
• Have credit card debt?
• Have dependents to support?
• Have higher than average living expenses?
• Have significant medical expenses to repay?
• Etc.
Getting the Credit You Need
Credit has become harder to get ...

It’s harder to get a bar exam loan because:

• Fewer lenders now offer the loan
• Better credit (higher credit score) is required to get ANY loan
• May need a credit-worthy co-signer to get a bar exam loan
• Loan will cost more
Why is good credit important to you?

You may need good credit to:

• Qualify for some education loan programs (e.g., PLUS, private loans)

• Get the job you want

• Achieve your financial goals, e.g., buying a home, financing a professional practice, obtaining affordable insurance
True or False?

Paying your credit card bills on time each month is both necessary and sufficient for having good credit.

False

- Paying your bills on time is necessary, but not sufficient
- All credit account information in credit report affects credit rating
Developing and Maintaining Good Credit

Some Useful Tips:

• Pay all your bills on time
• Notify creditors of changes in address, etc.
• Limit use of credit cards for credit, and when used, pay credit card bill in full each month
• Minimize debt – especially from credit cards
• Review credit reports annually for accuracy
Credit Reporting
Credit Reporting

What is a credit report?

- Record of how well you have managed your credit accounts
- Derived from data in your credit history maintained by credit reporting agencies
- Provides measure of your “willingness to pay” a debt on time
- Comparable to your “credit transcript”
Credit Reporting

What’s in a credit report?

- Name and aliases
- Current address
- Prior address(es)
- SSN and birth date
- Employer information
- Type of debt and other account information
- Payment performance
- Credit available
- Current balance owed
- Monthly payment amount/terms
- Public record information
- Inquiries
Credit Reporting

What’s NOT in a credit report?

The following information about you is not in your credit report, nor is it compiled in your credit history:

- Race
- Gender
- Religion
- National origin
- Sexual orientation
- Medical history
- Income/earnings
- Checking/saving account numbers or balances
- Interest rates on your credit accounts
Credit Reporting

Why check your credit report?

• Errors occur
  • Records are keyed first by name
  • 300+ million people in US
  • Others may have same first and last name

• Can take months to correct errors

• Helps you detect if you’ve become a victim of identity theft

• It’s a good financial habit
Obtaining Your Credit Report

Go to *AnnualCreditReport.com* for a free copy of your report every 12 months from each of the three national credit bureaus.

Credit reports also are available online (usually for a fee) from the three national credit bureaus at:

- [equifax.com](http://equifax.com)
- [experian.com](http://experian.com)
- [transunion.com](http://transunion.com)
Reading Your Credit Report

- Personal identifying information
- Alerts
- Credit summary
- Account history
- Credit inquiries
- Collections
- Public records
- Dispute file information
Reading Your Account History

Verifying Your Account Information

- Account Name
- Account Number
- Creditor Address
- Acct Status
- Date Opened
- Reported Since
- Date of Status
- Last Reported
- Credit Limit/
  Original Amount
- High Balance
- Recent Balance
- Recent Payment
- 24-Month Payment
  History (often shown)
Credit Scoring
What’s a credit score?

A credit score is:

- Numerical forecast of likelihood you’ll successfully repay a future loan
- Based on credit account information in your credit report
- An automated credit evaluation tool
- Comparable to your “Credit GPA”
Credit Scores

- First developed by Fair Isaac & Co. (FICO)
- Scoring methodology relies upon statistical modeling
- Fair Isaac’s generic credit score also referred to as a FICO® Score
- FICO® Score typically ranges from 300 to 850
- You want the highest score possible
What factors affect your FICO® credit score?

Source: myFICO.com
“Soft” Inquiries Have NO Impact

“Soft” inquiries include:

- Self inquiries
- Promotional inquiries
- Administrative inquiries
- Inquiries from prospective employers
Estimating Your FICO® Score

- Fair Isaac & Co. and Bankrate.com have jointly developed a FICO credit score estimator:
  
  www.bankrate.com/brm/fico/calculator

- Credit score range is estimated based on your answers to 10 questions about your credit use and payment behavior
What’s the score?

A Typical Student

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>How many credit cards?</td>
<td>2 – 4</td>
</tr>
<tr>
<td>When was first loan borrowed?</td>
<td>2 – 5 yrs.</td>
</tr>
<tr>
<td>How many accounts applied for in past year?</td>
<td>2</td>
</tr>
<tr>
<td>How recently was new account opened?</td>
<td>3 – 6 mos.</td>
</tr>
<tr>
<td>How many accounts have balances?</td>
<td>2 – 4</td>
</tr>
<tr>
<td>How much debt? <em>(other than mortgage)</em></td>
<td>$20,000+</td>
</tr>
<tr>
<td>When did you miss a payment?</td>
<td>Never</td>
</tr>
<tr>
<td>How many accounts are past due?</td>
<td>None</td>
</tr>
<tr>
<td>What percent of credit card limits are used?</td>
<td>20% - 29%</td>
</tr>
<tr>
<td>FICO Credit Score Range</td>
<td>675 - 725</td>
</tr>
</tbody>
</table>
What would happen to typical student’s credit score if...

<table>
<thead>
<tr>
<th>Original credit score was 675 to 725</th>
</tr>
</thead>
<tbody>
<tr>
<td>You missed one payment within past 3 months</td>
</tr>
<tr>
<td>You missed one payment within past 3 to 6 months</td>
</tr>
</tbody>
</table>
What would happen to typical student’s credit score if ...

<table>
<thead>
<tr>
<th>Original credit score was 675 to 725</th>
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</thead>
<tbody>
<tr>
<td>You owe at least 50% of your available credit card limit</td>
</tr>
<tr>
<td>You owe at least 90% of your available credit card limit</td>
</tr>
</tbody>
</table>
**What would happen to typical student’s credit score if ...**

<table>
<thead>
<tr>
<th>Original credit score was 675 to 725</th>
</tr>
</thead>
<tbody>
<tr>
<td>You owe at least 90% of your available credit card limit <strong>AND</strong> You missed one payment within past 3 months</td>
</tr>
</tbody>
</table>
Maximizing Your Credit Score

• Don’t procrastinate – pay all your bills on time
• Keep credit card debt as low as possible
• Older accounts score more favorably
• Minimize opening new revolving credit accounts (i.e., credit cards)
Obtaining Your FICO® Credit Score

You can purchase your FICO® credit score at: myFICO.com
Remember, when looking ahead ...

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  - Request deferment/forbearance on Grad PLUS/Consolidation loans
  - Notify loan holder(s)/servicer(s) of address change

- Pay your bills
  - Develop an affordable budget plan/spending plan
  - Apply for loan assistance, if needed
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We’re here to help you!

Access Group
800-282-1550
AccessGroup.Org