

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

Current Deferment Types

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.

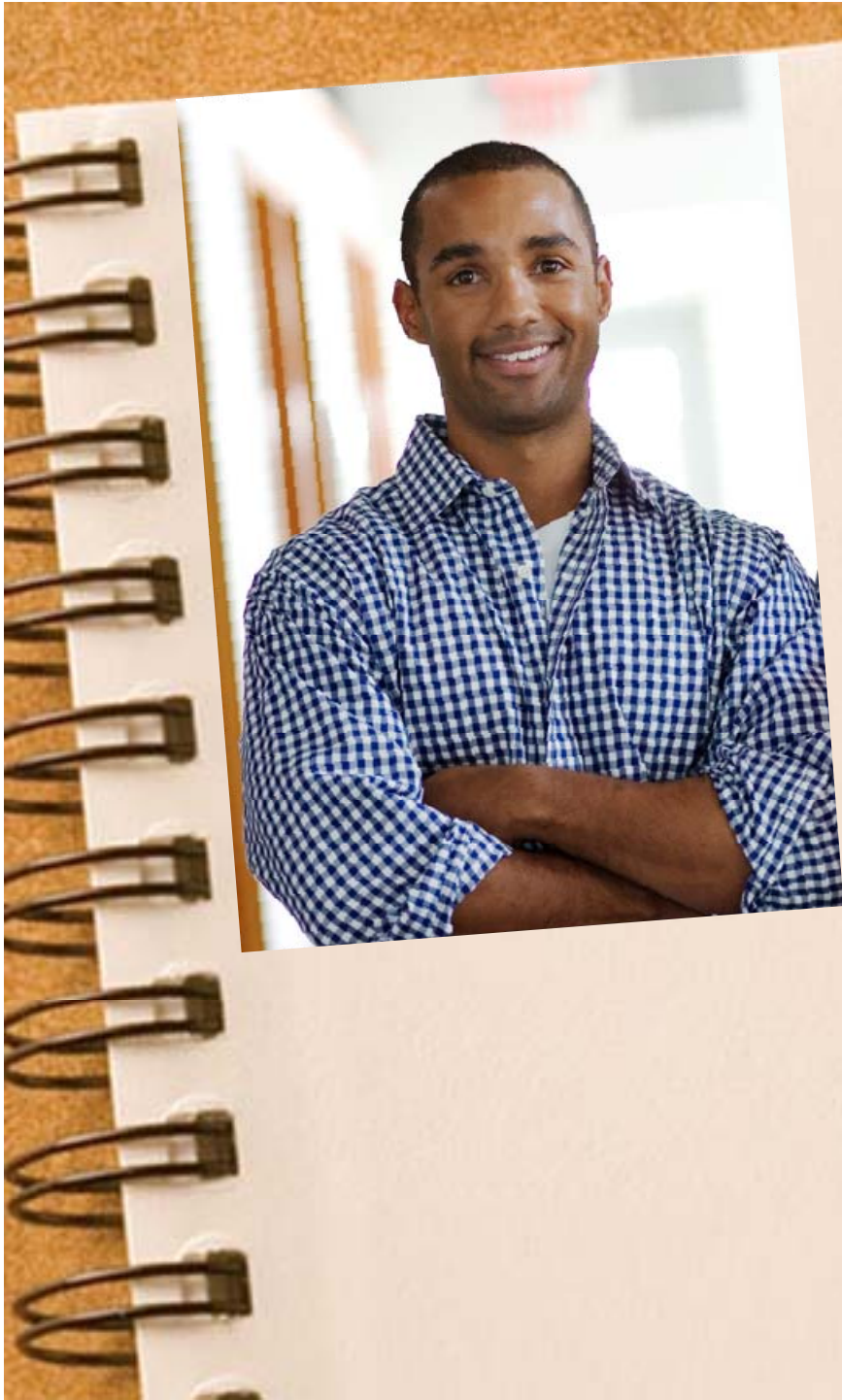
False

- **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***
- ***experian.com***
- ***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?

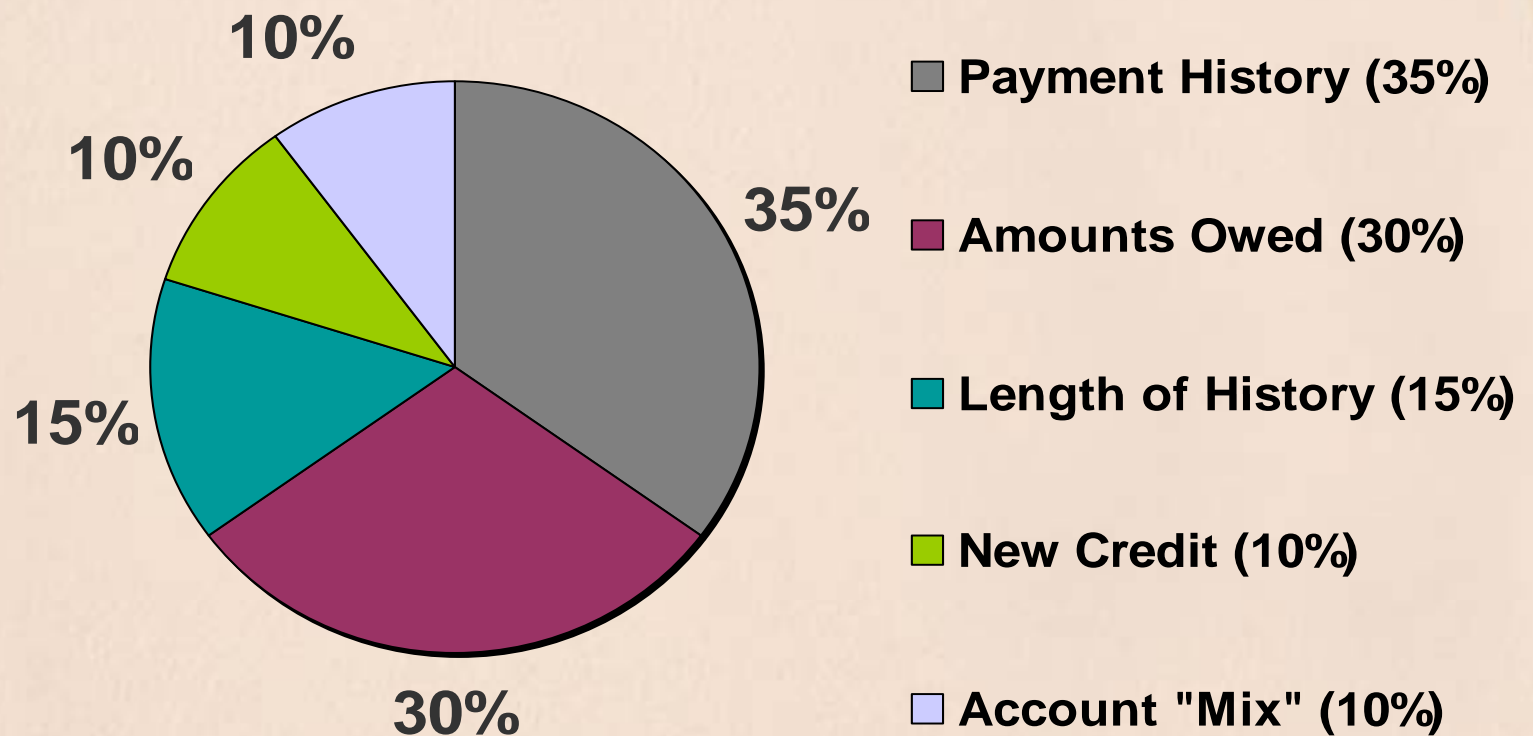
A credit score is:

- **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/calc.asp

- **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

How many credit cards?	2 – 4
When was first loan borrowed?	2 – 5 yrs.
How many accounts applied for in past year?	2
How recently was new account opened?	3 – 6 mos.
How many accounts have balances?	2 – 4
How much debt? (<i>other than mortgage</i>)	\$20,000+
When did you miss a payment?	Never
How many accounts are past due?	None
What percent of credit card limits are used?	20% - 29%
FICO Credit Score Range	675 - 725

What would happen to typical student's credit score if...

Original credit score was 675 to 725

**You missed one payment
within past 3 months**

**Score DROPS to
590 - 640**

**You missed one payment
within past 3 to 6 months**

**Score DROPS to
595 - 645**

What would happen to typical student's credit score if ...

Original credit score was 675 to 725

You owe at least 50% of your available credit card limit

Score DROPS to 640 - 690

You owe at least 90% of your available credit card limit

Score DROPS to 615 - 665

What would happen to typical student's credit score if ...

Original credit score was 675 to 725

**You owe at least 90% of your
available credit card limit**

AND

**You missed one payment
within past 3 months**

**Score DROPS to
540 - 590**

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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We're here to help you!

Access Group

800-282-1550

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