



CHM YEAR 2 DEBT MANAGEMENT

Summer
2024

Presentation Overview

- Financial Check-up
 - Good Financial Behaviors
 - Credit Management
 - Budgeting for years 2,3,4
- Planning for the Future
 - Program Changes
 - Loan Repayment Options
 - Resources



FINANCIAL CHECK-UP

Credit check

Budgeting for clinical program

- Monthly living allowance
 - No summer aid for year 2
- Additional expenses

Financially sound behaviors

- Essential knowledge
- Financial planning
 - 80/20
 - 28/36





POP QUIZ

- **What's the difference between good and bad debt?**
 - Good debt
 - Bad debt



LET'S TALK ABOUT CREDIT



CREDIT - TERMS TO KNOW

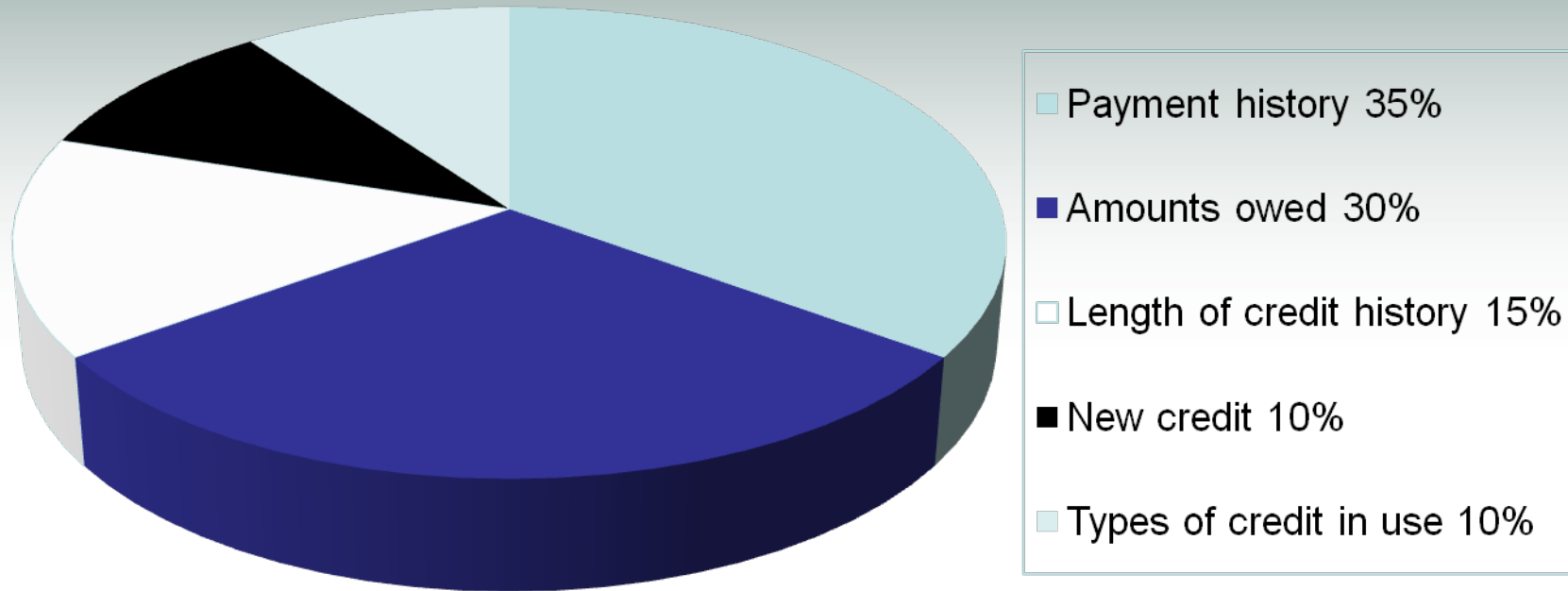
A **Credit Report** contains historical information that helps potential lenders understand how credit-worthy an applicant is. This information is collected and monitored by independent companies called credit agencies. Typically, information on a credit report goes back over a rolling 7 years of activity.

Credit Agencies are third-party vendors that collect and maintain information that helps potential lenders rate your reliability. The 3 biggest national credit agencies are Equifax, TransUnion, and Experian.

Your **Credit Score** is a number derived from calculations run by each of the credit agencies. It is a sort of “rating system” that gives a general idea of how well you manage your finances.



FACTORS BEHIND YOUR SCORE



HOW TO READ YOUR CREDIT REPORT

- Identifying information
 - Name, address, SSN, DOB, employment
- Types of credit
 - Secured - mortgage, auto
 - Revolving - credit cards, etc.
- Credit Info
 - Balances, account status
 - Date opened/closed, credit limit
- Credit Inquiries
 - Both hard and soft
- Public Records and Collections
 - Bankruptcies, foreclosures, suits, garnishment, and liens

Credit Report Summary					
Public Records:	1	Past Due Amount:	\$1,607	Inquiries:	5
Installment Balance:	\$1,607	Monthly Payment:	\$0	Inquiries/6 Mo:	1
Mortgage Balance:	\$0	Mortgage Payment:	\$0	Deregatory Accts:	4
Revolving Balance:	N/A	Revolving Available:	N/A	30/60/90:	05 / 03 / 13
Credit Score:	560 (300 low - 850 high)				
Credit Score Factors:	1) SERIOUS DELINQUENCY AND PUBLIC RECORD OR COLLECTION FILED 2) NUMBER OF ACCOUNTS DELINQUENT 3) INSUFFICIENT OR LACK OF REVOLVING ACCOUNT INFORMATION 4) DELINQUENCY REPORTED ON ACCOUNT				
RHR's convenient summary section allows you to quickly interpret the entire credit profile. Negative information will generally highlight in red.					
Credit Information					
1. Creditor:	VERIZON WIRELESS-ORT L	Type:	UNKNOWN - CREDIT EXTENSION, RE		
Opened:	10/07	Last Reported:	03/03	Last Late: 06/04	
High Credit:	\$902	Balance:	\$902	30/60/90: 0 / 0 / 0	
		Mo Pymt:	\$0	Past Due: \$902	
	PROFIT AND LOSS WRITEOFF				
2. Creditor:	COUNTRYWIDE HOME LOANS	Type:	CONVENTIONAL REAL ESTATE LOAN,		
Opened:	08/00	Last Reported:	04/02	Last Late: 04/02	
High Credit:	\$78,000	Balance:	\$0	30/60/90: 0 / 0 / 8	
		Mo Pymt:	\$0	Past Due: \$0	
	FORECLOSURE COMPLETED				
3. Creditor:	NATIONSCREDIT	Type:	CONVENTIONAL REAL ESTATE LOAN,		
Opened:	08/08	Last Reported:	10/00	Last Late: 08/00	
High Credit:	\$57,750	Balance:	\$0	30/60/90: 2 / 2 / 5	
		Mo Pymt:	\$0	Past Due: \$0	
	* 03/00-00,00/00-30,05/00-00,04/00-00,03/00-30				
Third Party Collections					
The following records identify collections that have been turned over by the primary creditor to an independent third party collection agency. Collection records may also be found in the Credit Information section of the report if the primary creditor has not sold the debt to a third party.					
1. Agency:	INTERSTATE CREDIT CNTR	Creditor:	COMCAST - SP		
Opened:	11/99	Last Reported:	02/00	Placed: 02/04	
Placed Amt:	\$403	Balance:	\$403	Status: COLLECTION ACCOUNT	
2. Agency:	CRED PROTECTIONS ASSOC	Creditor:	COMCAST		
Opened:	05/03	Last Reported:	07/03	Placed: 07/03	
Placed Amt:	\$302	Balance:	\$302	Status: COLLECTION ACCOUNT	
Public Records					
The following records identify legal civil action items such as judgments, garnishments, foreclosures, bankruptcies, and federal & state tax liens.					
1. Description:	JUDGMENT	Court:	RAMSEY COUNTY DIST COU		
Docket:	82C123456789	Plaintiff:	SECURITYLINK FROM AMERITECH		
Filed:	06/01	Status Date:	06/01	Assets: \$0	
				Liabilities: \$1511	

MANAGE YOUR CREDIT

- **Check your credit report regularly, at least yearly**
 - Allowed one free credit report per company annually
 - <https://consumer.ftc.gov/articles/free-credit-reports>
 - Set a date on the calendar
 - Use a service like
 - www.annualcreditreport.com, LifeLock
- **Sign up for credit monitoring**
 - Look for discounts to credit monitoring services through Sam's Club, Costco, auto insurance provider, credit union, bank or AAA
- **Consider Freezing your credit**
 - Only way to truly protect your credit
 - Must unfreeze before applying for a PLUS loan or opening a credit card



BUDGETING

- **Budgeting & tracking expenses**
 - Use a budgeting tool: MSUFCU, Quicken, YNAB
 - Be honest about your spending
 - Build enjoyment into your budget
 - Know your budget busters



BUDGETING

- **Best Practices**

- Use the 80/20 Rule
 - Pay yourself first – 20%
 - Use passive income to build wealth
 - Holding account for semester's refund
 - Establish cash reserves and emergency fund

- **Financial Planning**

- Takes 20% thought and 80% action
- Spend wisely
 - Investment or want
- Borrow wisely



YOUR LIVING ALLOWANCE*

- \$2,821 per month when enrolled
 - No aid summer Year 2, unless half time
- Living allowance
 - a modest standard
 - based on rental rates
 - Very doable with planning
- Additional budget allowances
 - Increased travel
 - Board exams, year 3
 - Interviewing/Away Rotation expenses

ITEMIZED MONTHLY LIVING ALLOWANCE	
	Monthly
RENT, FOOD & UTILITIES	1,831
PERSONAL/MISCELLANEOUS	338
TRANSPORTATION	652
MONTHLY TOTAL	2,821

***Subject to change**



UPCOMING EDUCATIONAL COSTS

Current
total of
educational
debt

- View your debt at www.studentaid.gov
- Includes Direct Loans, Grad PLUS, and Perkins
- Check with school for LDS/PCL debt and lender for private educational loans



PLANNING FOR THE FUTURE & REPAYMENT

Medical Debt for 2024 CHM Graduates

- **154 Students with debt**
- **25 Students w/o debt**
- \$277,160 - Average for all students
- \$258,151 for in-state students
- \$391,217 for out-of-state students





**BORROW IN
THE RIGHT
ORDER**

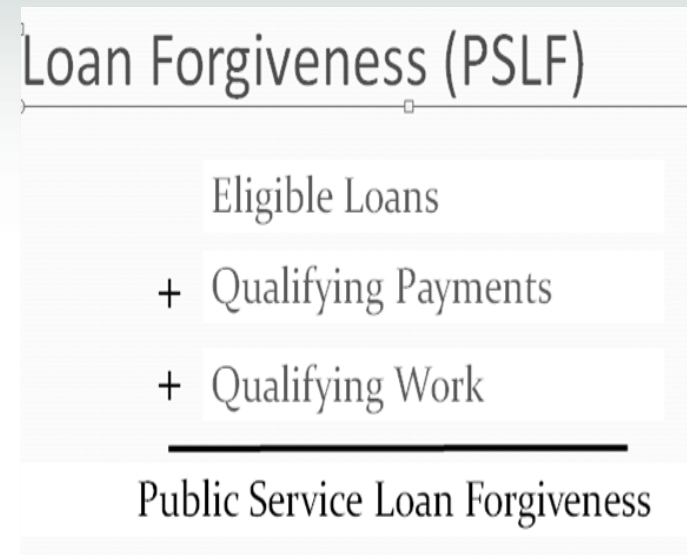
PUBLIC SERVICE LOAN FORGIVENESS

Changes - PSLF Waiver and IDR Waiver were introduced between 2021-2023 due to COVID-19.

This was done to reconsider payments that were classified as “nonqualifying” and to assist borrowers.

Due to the introduction of the SAVE plan, many borrowers will have lower payments and early forgiveness of debt.

You must apply for SAVE income driven plan via an application.



BENEFITS OF PSLF

- Forgiveness vs. repayment
- Broad interpretation of public service
- Income driven repayments count, SAVE
- Not medical specialty specific
- Residency payments count
- \$0 repayment amounts count
- Embedded in federal law with expanded forgiveness option beginning in 2022
- No cap on forgiveness amount and is tax free in year 120th payment is made



DRAWBACKS OF PSLF

- Yearly paperwork required
- Required documentation for at least 10 years income and 501 (c) 3 employment and track payments with servicer
- Best to begin participation during residency when monthly payments are low
- Wages must be from 501(c)3 employer
- Must work full time as designated by employer
- Certain disciplines more difficult because employer does not qualify, potentially Emergency Medicine, Dermatology, Anesthesiology



LOAN REPAYMENT STRATEGY



Think about
your career
path



Know your
Repayment
plans



Calculate your
repayment



Traditional Payment or Income-Driven



STANDARD PLANS

10-Year Repayment – Standard plan for everyone (10-30 years* consolidated)



Extended Repayment Plan – Elective Plan (paid off in 25 years)



Graduated Repayment – Elective Plans (10 to 30 years* consolidated)



INCOME DRIVEN PLANS

Income Contingent Repayment (ICR) - only for Direct Loans



Income Based Repayment (IBR) – for DL & FFEL



Pay As You Earn (PAYE) – only for Direct Loans & new borrower*



SAVE (Save on a Valuable Education) replaces (REPAYE)*



EXAMPLES OF REPAYMENT OPTIONS

 Sample payment if \$200,000 Stafford debt, 6.8% fixed

 If 10-year plan = \$2,301 per month payment

 If graduated plan = \$1,633 per month for first 2 years (10-Year plan)

 If 25-year plan = \$1,388 per month payment

 If IBR = \$416 per month if income \$50,000 & Household Size = 1

 If PAYE = \$280 per month if income \$50,000 & Household Size = 1

 IF SAVE = \$143 per month if income is \$50,000 & Household Size = 1



BENEFITS & EXAMPLES OF THE SAVE PLAN

- Lower payments due to increased income exemptions – Poverty line increased 150% to 225%
- The interest benefit stops your balance from growing, PLUS loan can qualify while in-school
- Excludes spouse's income if filing taxes separately
- <https://studentaid.gov/announcements-events/save-plan#how-much-pay>
- Payments are based on income & family size
- If you have \$50 in interest accumulating monthly and your scheduled payment is \$30, the remaining \$20 would not be charged if your monthly payment is paid on time.
- If you file separately, your monthly payment amount will be based on your income only.



RESOURCES

- **MSU financial aid** - <https://finaid.msu.edu/grad/medical>
- **Loan and borrowing information** – <https://studentaid.gov>
- **Financial Literacy 101 modules** - <https://www.financialliteracy101.org>



RESOURCES

Association of American Medical Colleges (AAMC)

- Calculators
 - <https://students-residents.aamc.org/financial-aid-resources/medloans-organizer-and-calculator-mloc>
- Financial Information, Resources, Services, and Tools (FIRST)
- Guide to Money Management and Student Loans
 - <https://students-residents.aamc.org/financial-aid-resources/publication/guide-money-management-and-student-loans>
- IDR plan and eligible loans
 - <https://studentaid.gov/manage-loans/repayment/plans/income-driven>



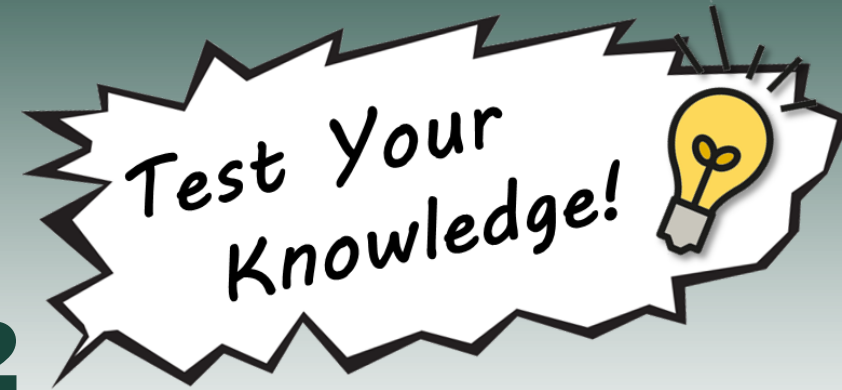


QUESTION #1

What is the most important factor in determining your credit score?

1. Amounts owed
2. Payment History
3. Length of Credit History
4. New Credit



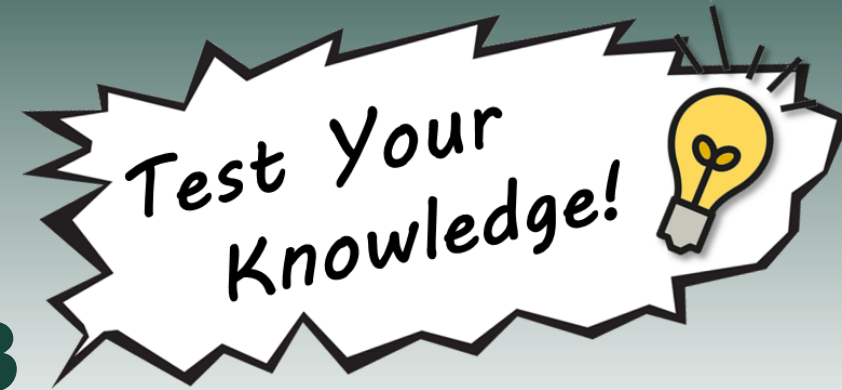


QUESTION #2

What lending options should you utilize first, if applicable?

1. PCL/LDS – Primary Care/Loans for Disadvantaged Students
2. Unsubsidized Loans
3. Graduate Plus Loans
4. Credit Cards





QUESTION #3

Which of the following is a benefit(s) of the SAVE plan?

1. Poverty Line increased to 225%
2. The interest benefit stops your principal from growing
3. A spouse's income is not used to calculate payment, if taxes are filed separately
4. All of the above



OFFICES AND CONTACTS

East Lansing

Student Services Building
556 East Circle Drive, Room 252
East Lansing, MI 48824

Grand Rapids

MSU Secchia Center
15 Michigan St. NE, Room 380
Grand Rapids, MI 49503

- **Phone & Email**

- Medical Student Advising Line: **517.353.2401**
- Email: ofamed@msu.edu

- **Website**

- www.finaid.msu.edu





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THANK YOU!

