

HMS Second-Year Financial Aid Update

November 2007

Today's Agenda

- Debt Profiles
- Repayment Options
- Five Year Plans
- Miscellaneous Updates
- Preparing a Budget
- Credit Reports
- Identity Theft

Sample Repayment Profiles:

Assumptions

- ❑ Interest Rate of 6.8% on all Stafford Loans after graduation*
- ❑ 4 yrs of internship/residency with interest capitalized
- ❑ Starting Salary of \$120,000
- ❑ Standard 10 year repayment

Sample Repayment Profile: Unit Loan Borrower

- Total Borrowed: \$98,000
 - \$34,000 Federal Stafford
 - \$24,000 Federal Perkins
 - \$40,000 HMS Revolving Loan
- Repayment Begins July 2014
 - Monthly Net Income: \$7,000
 - Monthly Loan Payments: \$1,163
 - \$1.42 repaid for each \$1 borrowed

Sample Repayment Profile: Unsub Stafford Borrower

- Total Borrowed: \$177,760
 - \$ 34,000 Federal Stafford
 - \$143,760 Federal Unsubsidized Stafford
- Repayment Begins July 2014
 - Monthly Net Income: \$7,000
 - Monthly Loan Payments: \$3,200
 - \$2.16 repaid for each \$1 borrowed

Postponing Repayment

- Deferment
- Forbearance

Repayment Options

- Standard
- Extended
- Graduated
- Income Contingent

Loan Consolidation

- Effective July 1, 2006 – Students not able to consolidate while “in school”
- Financial Aid Office will counsel students about loan consolidation during exit interview (prior to graduation)

3rd Year Budget

- 2008-09 3rd Year Budget is 12 months!
 - Complete cash advance form in June
 - Advance to cover July-August living expenses
 - Loan disbursements still occur in September
- 4th Year Budget will be 12 months as well (July – June)

Five Year Plans

- How much does it cost to do a research year?
- What are the financial aid implications?

Additional Costs: Five-Year Program

- ❑ Facilities Fee in final year (currently \$1,100/semester)
- ❑ Additional Year UHS/Blue Cross-Blue Shield
- ❑ Additional Year of living expenses
- ❑ Financial Aid is available for all five years (typically 100% loan in year 5)

Other Programs

- ❑ HELP Loan Program
- ❑ Grad PLUS Loan Program
- ❑ HMS Public Service Initiative
- ❑ HMS Loan Repayment Assistance Program
- ❑ Residency Loans
- ❑ **NOTE:** Step2b Clinical Skills Exam fee included in 3rd year budget with travel expenses added in 4th year

Upcoming Events

- Student Tax Workshop – Spring 2008
 - *Date to be Determined*
- 2008-09 Financial Aid Application
 - Deadline: May 15th, 2008

What is a Personal Budget?

- A financial road map
 - It tells you where you are financially and where you're headed
- A guide in planning how much to borrow
- An important first step in investment planning

Why Budget?

- To know where your money goes
 - Are you spending within your means?
- To manage your day-to-day expenses
 - Do you have enough \$\$ to cover your monthly expenses?
- To help you achieve your financial goals
 - Knowing your budget will help you determine how much debt you can afford

Developing Your Budget

- Six Major Steps:
 - Identify your financial goals
 - Determine the time frame for your budget: annual, by academic semester, monthly
 - Estimate your available financial resources
 - Calculate your expenses
 - Do the math
 - Revise your expenses or adjust your available resources, as necessary

Borrowed Funds are not YOUR Resources!!

- ❑ Loan funds are resources that you have borrowed from a lender
- ❑ Loans must be repaid from your FUTURE resources
- ❑ Borrowed funds offset budget deficits for students

Be careful of Budget Planning Traps

- Avoid a number of common mistakes when planning a budget:
 - Take the time to do it realistically!
 - Don't go by what others spend
 - Have patience
 - Be flexible
 - Commit only to what you'll know you can maintain over time

Can You Follow Your Budget?

- ❑ Creating your budget isn't sufficient if you want to succeed financially. You must **STICK** to your budget!!
- ❑ Try the “BIG CHILL” – see if you can follow a budget for just a weekend
 - On a Thursday night, try the following:
 - ❑ Calculate what you can afford to spend for the weekend in cash
 - ❑ Withdraw that amount of money
 - ❑ Put all your “plastic” – credit cards, ATM cards, debit cards – in a metal bowl, fill it with water and freeze it
 - ❑ Keep the bowl frozen and go out and enjoy your weekend
 - What happens if you run out of money before the end of the weekend??

Top 10 Reasons to Stick to Your Budget

1. You'll be able to account for how you spend your money and this can ease any financial worries or concerns
2. You're less inclined to make impulse purchases you can't afford
3. You're more apt to have the money you need when you need it
4. You'll be better positioned to deal with financial emergencies

Top 10 Reasons to Stick to Your Budget

5. You'll minimize your debt, and, thus, what you'll have to repay with your future income
6. You won't have to rely on your credit cards to make ends meet
7. You're less likely to risk your future ability to borrow
8. You'll increase your chances of achieving your financial goals
9. You'll have greater financial flexibility
10. You're destined to be more successful saving for the future

Budget Tips: Smart Shopping

- Shop with a list
- Shop with cash, not credit cards
- “S.O.S” – Save on Spending
 - Be thrifty...look for discounts!!

Budget Tips: Minimizing Living Expenses

- ❑ Find one or more roommates to share housing and living expenses
- ❑ Take your lunch to school; bring your own coffee, snacks, etc
- ❑ Eat at cheap places when dining out
- ❑ Clip and use coupons – but only for items you need
- ❑ Have “free” fun by going to parks, museums, etc
- ❑ Beware of buying for convenience
- ❑ Limit the number of credit cards you have

Comparing Costs

How much do your habits cost you?

	Eating Out		Your Own Home	
Breakfast	Coffee shop latte	\$3.00	Gourmet flavored coffee	\$0.50
	Coffee shop pastry	\$3.00	Blueberry muffins from mix	\$0.50
Lunch	Deli sandwich	\$5.00	Homemade sandwich	\$2.50
	Chips	\$1.00	Chips	\$0.50
	Apple	\$0.50	Apple	\$0.50
	Soda	\$1.00	Soda	\$0.50
Dinner	1 appetizer, split 2 ways	\$5.00	Homemade bruschetta	\$1.50
	Entrée	\$11.00	Homemade pasta dinner**	\$2.00
	1 nonalcoholic beverage	\$1.50	Homemade iced tea	\$0.50
	1 dessert	\$5.00	Homemade brownies	\$3.00
	18% Gratuity	\$5.00	No need to tip!	\$0.00
	Daily Total:	\$41.00	Daily Total:	\$12.00

How much do you save? **More than \$29 a day**

* "Eating Out" prices estimated from menus available at national chain restaurants. "Eating In" prices estimated based upon approximate cost of ingredients, broken down to a per-serving cost. All amounts are rounded to the nearest \$0.50.

** Pasta dinner price includes 1 serving each of pasta, frozen meatballs, jarred sauce, bagged Caesar salad and Italian bread.

How Much Does It Really Cost?

What is the cost of spending even an extra \$3 a day of your unsubsidized student loan funds? See the cost of your lattes.

Daily Latte's Real Cost	2 Years in School	3 Years in School	4 Years in School
Daily Cost	\$3	\$3	\$3
# Purchased/Week	5	5	5
Total Cost/Week	\$15	\$15	\$15
Number of Weeks/Year	52	52	52
Total Cost/Year	\$780	\$780	\$780
Total Cost/ALL Years	\$1,560	\$2,340	\$3,120
Annual Interest Rate*	8.25%	8.25%	8.25%
Repayment Terms (in months)	120	120	120
Estimated Monthly Payment	\$22	\$35	\$48
Total Interest Paid	\$1,115	\$1,814	\$2,609
Total Paid	\$2,675	\$4,154	\$5,729

* This estimate assumes that (1) interest accrues on your loan during in-school and grace periods; (2) repayment begins following a 6-month grace period; (3) monthly payments are based on using an equal payment plan and (4) accrued interest is capitalized once at the end of the grace period.

Keep Your Credit Card Debt As Low As Possible...Follow the A,B, C's..

- **A**void charging more than you can afford to repay in full each month
- **B**e sure to pay your credit card bills on time, every time
- **C**onsume with cash, not credit cards, for everyday purchases

What is a Credit Report?

- ❑ Record of your credit accounts and how well you've performed in paying those accounts
- ❑ Derived from data in your credit history that is maintained by authorized credit reporting agencies
- ❑ Provides a measure of your “willingness to pay” a loan or other financial obligation
- ❑ Could be considered your “credit transcript”
- ❑ Used by potential creditors when deciding whether or not to extend credit to you and at what cost

Your Identity – It's All About YOU!!

- Be credit wise and credit safe
 - Protect your Social Security Number
 - Shred sensitive documents
 - Read your billing statements each month and report unusual activity immediately

Where to Obtain Your Credit Report

- Three major credit agencies:
 - Equifax 800-685-1111 www.equifax.com
 - Experian 888-397-3742 www.experian.com
 - TransUnion 800-888-4213 www.transunion.com

- OR..you may obtain a free copy of your credit report at least once a year from www.AnnualCreditReport.com

The Bottom Line...

If you live like a doctor while
you're a student, then you'll
live like a student when you're
a doctor!!

Questions?
