



UNDERSTANDING *Debt*

Managing your loans and debt.

ABOUT

US

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OUR SUPPORT

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A close-up photograph of a hand holding a thick stack of US dollar bills, with a pen visible in the lower foreground. The entire image is overlaid with a semi-transparent blue filter.

**RESPONSIBLE
BORROWING**

A photograph of a person with long dark hair, wearing a white t-shirt, looking down at a document or laptop screen. The image is overlaid with a semi-transparent blue filter.

**MANAGING
YOUR LOANS**

A photograph of a credit report document. It features a large credit score of 780, a credit score grade of A+, and a section for credit score grades. The image is overlaid with a semi-transparent green filter.

**BUILDING
CREDIT**

RESPONSIBLE BORROWING

Tips on how

- Plan ahead
- Look at scholarships and grants
- Make interest-only payments
- Take advantage of tax benefits
- Estimate the amount of debt you can afford
- Contact your lender if you're struggling
- Stay on Schedule
- Prepay a student loan if possible

 **Ask yourself:**

**What kind of debts
will I have?**

TYPES OF DEBT

Secured Loans

- ⊕ Examples include mortgage, car loans, and business loans

Unsecured Loans

- ⊕ Examples include credit cards, personal loans, and student loans*



Good Debt

- ⊕ Typically lent by a bank to an individual or business
- ⊕ Often secured



Bad Debt

- ⊕ Often unsecured
- ⊕ Typically used to purchase assets that depreciate in value

MEDICAL SCHOOL **LOANS**



Subsidized

Unsubsidized



Subsidized

- ⊕ These loans receive an interest subsidy in which the government or your medical school pays accruing interest on your behalf while you're enrolled in school and during periods of grace and authorized deferment.
- ⊕ As of July 2012, direct subsidized loans (aka subsidized Stafford loans) are no longer available to graduate or professional students

Unsubsidized

- ⊕ These loans accrue interest from the date of disbursement. If the interest is unpaid, it will be added back to the principal balance (original amount borrowed) at specific points via a process called capitalization. You are responsible for this interest.

UNDERSTANDING THE *Total Cost*



Consider the following:

- + Interest**
- + Capitalization**
- + Length of Repayment**

Depending on the loan and when it was disbursed, interest rates can range from 5.3% to 7.9%

How Interest Accrues on Student Loans

Interest accrues daily on a student loan—from the day it's disbursed until the day the loan balance reaches zero.

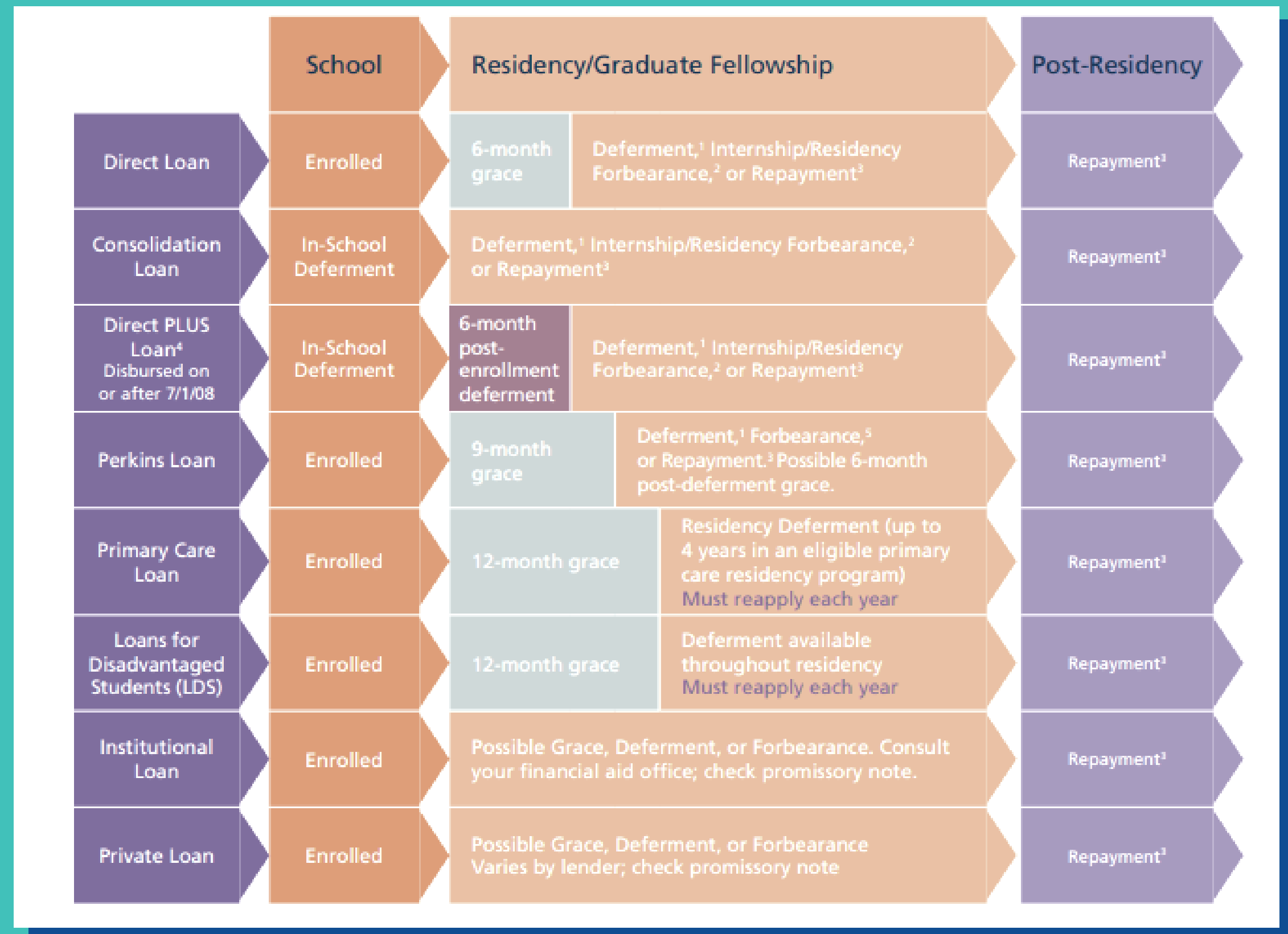
There is a simple formula to calculate your daily interest accrual:

$$\frac{\text{interest rate (in decimal format)} \times \text{current principal balance}}{\text{number of days in the year}} = \text{daily interest}$$

The day student loans are paid in full, the accrual of interest stops. You only accrue interest on the days you owe a balance, which means that paying off the loans aggressively can save you money in interest.



LOAN REPAYMENT TIMELINE





MANAGING DEBT REPAYMENT

Traditional Plans

Standard Repayment

\$2,570/mo

Extended Repayment

\$1,500/mo

Graduated Repayment

\$1,200/mo

Income-Driven Plans

Income-Contingent Repayment (ICR)

\$740/mo

Income-Based Repayment (IBR)

\$480/mo

Pay As You Earn (PAYE)

\$320/mo




Revised Pay As You Earn (REPAYE)

\$320/mo

Based on an original balance of \$200,000, entering repayment after four years of medical school and six months of grace. ICR, IBR, PAYE, and REPAYE are based on a stipend of \$56,800. (Values are rounded to the nearest 10.)

Prioritize high interest debt

-  **Credit cards**
-  **Personal loans**




-  **Determine true cost of good debt**
-  **Factor in deductions**
-  **Compare potential investment returns with the cost of debt**





OTHER CONSIDERATIONS

Public Service Loan Forgiveness

-  **No income limitations**
-  **Need to be on an income-based repayment plan**
-  **Based on your income, you could pay off your debt prior to realizing any public loan forgiveness**



BUILDING CREDIT HISTORY

What is a FICO Score?

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into 5 categories as you can see to the left.





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THANK YOU



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