

# Paying for the Bar



Bar Week – March 5, 2013

# Agenda

- Before you Leave School
- Credit and why it's important
- Budgeting
- Bar Study Loan Options
- Repayment Options

# Prep for Graduation

- Before You Leave School
- Planning Early
- After Graduation

# Before you Leave School

- Know What You Owe - Review your student loan portfolio
  - Federal Student Loans – NSLDS
  - Private Student Loans – Credit Report/Lender
- Last Semester
  - Budget your current semester dollars
- Review your current budget through May
  - Are your current expenses met?
- Any Shortcuts
  - Saving \$\$
  - Paying down debts and capitalized interest
- Do you have “leftover” funds available

# Plan Early – Rather than later!

- Look at cost for the bar
  - Bar Prep courses
  - Living expenses
  - Travel
    - Look for discounts
    - Share cost
      - Transportation/gas
      - Lodging (if you having a roommate will not disrupt your final bar exam prep)

# After Graduation

- Determine your living expenses
  - Now and after your salary kicks in
- Understand your bottom line
- Pull your credit
  - Private loans are credit based

## Our Best Advice

**Get a salary, as soon as possible after the bar exam, to begin repayment!**

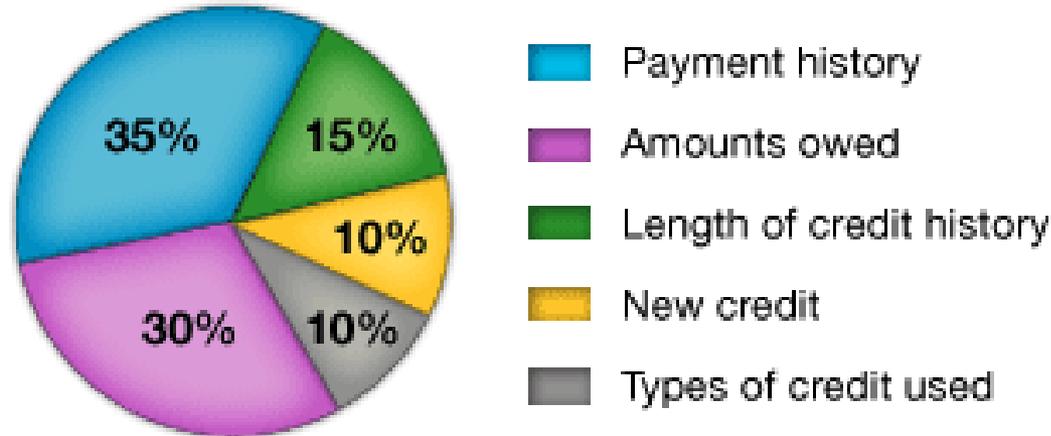
# Credit

What you Should Know

# Understanding FICO

## Understanding your FICO

- FICO Score is a numerical expression based on a statistical analysis of a person's credit file developed by Fair Isaac Company.
- A person's FICO Score can impact pricing for loans, insurance, and other financial services.
- The FICO score can range from a maximum of 850 to lowest of 300 with an average national score of 692.



# Ways to Improve Credit

**Credit scores are continually changing, depending on how well — or poorly — the person manages their credit.**

- Pay bills on time
- Apply for credit only when necessary
- The longer the credit history, the better
- Keep credit card balances to less than 50% of the available credit limit
- Make more than the minimum payment
- Have a mix of credit account types
- Review your credit report regularly

# What does it mean?

## GOOD CREDIT

- **Lower interest rates**
- Could **save hundreds**, if not **thousands**, of dollars in interest costs
- Allows you **to be more selective** when choosing a lender
- Can mean **preferred rate** on car insurance

## POOR CREDIT

- **Higher interest rates**
- Result in **loan applications** being **rejected**
- Can get **denied for basic services**
- Can mean **high cost premium** on car insurance
- Can **cost you that job**

# 10 Rules of Smart Credit Management

**Credit plays an important role in managing your money – do not take on more than you can handle.**

1. Live within your means
2. Know what you owe
3. Borrow only what you can afford
4. Maintain a good credit rating
5. Check your credit report annually
6. Use credit wisely
7. Recognize the warning signs of financial difficulty
8. Know a scam when you see one
9. Guard against identity theft
10. View bankruptcy as a last resort

# Three National Credit Agencies



**Phone:** 800-685-1111

**Website:** [www.Equifax.com](http://www.Equifax.com)



**Phone:** 888-397-3742

**Website:** [www.Experian.com](http://www.Experian.com)



**Phone:** 800-916-8800

**Website:** [www.TransUnion.com](http://www.TransUnion.com)

# Budgeting

How will you pay your  
expenses?

# Budget, Budget, Budget!

## Know What You Owe

PUT TOGETHER A SNAPSHOT OF WHAT YOU OWE

- **Student loans** + \$ \_\_\_\_\_
- **Other loans**
  - Credit card balance(s) + \$ \_\_\_\_\_
  - Automobile loan + \$ \_\_\_\_\_
  - Mortgage loan + \$ \_\_\_\_\_
- **Other Money Owed** + \$ \_\_\_\_\_
- **TOTAL** \$ \_\_\_\_\_

# Live Within Your Means

**Knowing the difference between “wants” and “needs” puts you in control of your spending and helps:**

- Set spending priorities
- Make wise choices about spending
- Get the most value for your money
- Be a more thoughtful consumer
- Save money

# Make a Spending Plan

## WHERE DOES MY MONEY GO?

- **Create a spending plan**
- **Set priorities**
- **Practice good spending habits:**
  - Look for sales
  - Use coupons
  - Buy store brands
  - Price compare
  - Join Upromise
  - Don't use credit cards for things you can't afford



# Saving for Today & Tomorrow

SAVINGS ALLOWS YOU TO ACHIEVE YOUR FINANCIAL GOALS  
AND PROVIDES A SAFETY NET DURING CHALLENGING TIMES

- **Set specific savings goals**
  - Emergency Fund (**Today**)
  - Short term: cell phone (**Today**)
  - Long term: down payment on a house (**Tomorrow**)
- **Budget monthly savings into your spending plan**
- **Explore options based on goals:**
  - Savings Accounts
  - Certificate of Deposit (CD)
  - Money Market Deposit Account
  - Money Market Mutual Funds
  - U.S. Treasury Bills



Know your Options

Bar Study Loan

# Bar Study Loan Options

- Determine what you need then research your options
- Available loan options
  - [Sallie Mae Bar Study Loan](#)
  - [Fifth Third Bar Study Loan](#)
  - [Wells Fargo Bar Exam Loan](#)
  - [PNC Private Loan for Bar Study](#)
  - [Discover](#) (coming soon)
  - [BARBRI Course Financing & Bar Review Loan](#) Program through GL Advisor

# Compare and Save

## **Loans look alike**

- Review Eligibility Requirements
  - Credit
  - Interest rate
  - Loan limits
  - Borrower/Cosigner options

# Cost of the Loan

- The research you do can save you dollars
- Remember many factors affect the cost of the loans
  - Interest Rates
  - Fees
  - Borrower Benefits

What's Next?

Repayment  
&  
Beyond

# Repayment and Beyond

- Know Your Loan Portfolio
- Know what types of loans you have
  - Perkins Loans
  - Federal Stafford Loans
    - Direct Loans
    - FFELP Loans
    - Put Loans
  - Private/Alternative Loans

# Identify Your Servicers

- Federal and/or private loans may not all be with one servicer
- Buying and Selling of Students Loans:
  - Original lender may have sold a student's loan
  - This means a student has a new loan “holder” and/or “servicer” For example, a FFEL loan may have been sold to the Department of Education who now holds the loan and is having it serviced by one of its federal loan servicers such as:
    - Direct Loan Servicing Center (ACS)
    - Great Lakes
    - Nelnet
    - FedLoan Servicing (PHEAA)
    - Sallie Mae
  - Borrowers must be notified if the service provider of loan changes
  - The terms of a federal loan, as specified in the promissory note, will not change if sold or transferred to another servicer

# Resources

- Office of Financial Aid [website](#)
  - [Resources for Graduating Students & Alumni](#)
- Who is my loan servicer?
  - [National Student Loan Data System \(NSLDS\)](#)
  - [List of Federal Loan Servicers](#)
  - Private Lenders Website or Portal (for any private educational loans)
- Federal Student Aid Ombudsman
  - [U.S. Department of Education – FSA Ombudsman](#)  
1-877-557-2575
- Primary Federal Loan Servicers:

**Direct  
Loans**  
William D. Ford Federal Direct Loan Program



**fedloan**  
SERVICING

**nelnet**  
EDUCATION PLANNING  
& FINANCING

**SallieMae** DEPARTMENT OF EDUCATION  
LOAN SERVICES

# Understanding Grace Periods

**Grace Period: for applicable loans, the period of time after a borrower graduates, leaves school or drops to less than half-time enrollment**

- Payments may not be required during this period
- No application required
- Loan specific, varies according to loan – once used completely, it's gone
  - Stafford loans have a six-month grace period\*
  - Perkins loans have nine-month grace
  - Perkins loans can also have a 6-month grace after deferment
  - Private and Institutional loans: check your promissory note
- Unsubsidized federal loans continue to accrue interest during the grace period
- Taking advantage of a grace period does not adversely impact credit

# Loan Consolidation

- Provides the ability for borrowers to consolidate all of their federal loans into one new loan
- FFEL and Direct Stafford Loans, Perkins Loans and PLUS Loans may be consolidated
- Interest Rate: weighted average of the interest rates on the loans being consolidated rounded to the nearest higher one-eighth of one percent. Multiple repayment options: Standard, Graduated, Extended, Income Contingent, Income Based
- Benefits:
  - Longer repayment period
  - Lower monthly payment
  - Single Servicer

# Federal Loan Forgiveness Program for Public Service Employees

- **Eligibility limited to Federal Direct Student Loan Program (FDLP), Stafford PLUS and Consolidation**
  - FFELP Stafford, PLUS and Consolidation are not eligible
- **FFELP Borrowers may consolidate in the FDLP on or after July 1, 2008.**
- **Additionally, borrowers must have:**
  - Made 120 on-time monthly payments beginning after October 1, 2007 during eligible public service employment.
  - Payments must be made under one of the payment plans: Income Based, Pay As You Earn, Income Contingent or any payment equivalent to the 10-year standard payment amount
  - Worked *full time* in eligible public service employment for ten years after October 1, 2007.
  - Must be employed in an eligible public service job at time remaining loan balance is forgiven.

**Other loan forgiveness programs may also be available – do your research!**

# Repayment Options

## Federal Loan Repayment Options

- **Standard Repayment**

- Level monthly payments that cover accruing interest and a portion of principal over a 10-year period
- Higher monthly payments
- **Lowest overall cost**

- **Graduated Repayment**

- Payments start low, increase over time
- Interest only payments followed by standard principal & interest
- Finish in 10 years
- Higher overall cost – but provides lower initial payment amounts

# Repayment Options (cont'd)

## **Income Sensitive Repayment (Non-direct Federal Loans)**

- Payments are based on percentage of your monthly income
- Payments must be sufficient to cover accruing interest
- Finish in 10 years (may be extended to 15 years)

## **Income-Contingent Repayment (Direct Loans Only)**

- Payment is based on income
- Negative amortization is allowed
- Up to 25 years to repay
- Balance remaining after 25 years' worth of payments can be forgiven

# Repayment Options (cont'd)

- **Extended Repayment**
  - Available to borrowers who have accumulated more than \$30K in Direct or FFELP Federal Stafford, PLUS & Consolidation loans first disbursed on or after October 7, 1998
    - Direct and FFELP Federal Loans are accumulated separately in determining eligibility
  - Repayment can be extended up to 25 years
  - Permits you to manage monthly cash flow needs, but will increase your cost
- **Income-Based Repayment**
  - Available to federal loan borrowers experiencing financial hardship
  - Borrower qualifies if annual monthly student loan payments exceed 15% of “discretionary income”
  - If eligible for IBR, borrower’s monthly payment will be determined by a formula that takes into account household size and adjusted gross income. Increases in income will impact the required monthly payment amount
  - Unpaid balance may be forgiven after 25 years of scheduled monthly payments

# Pay As You Earn

## (NEW)

- Direct Loans Only!
- Announced by ED December 21, 2012
- Available to new Direct loan borrowers (except Parent PLUS) experiencing financial hardship
  - No loan balance as of October 1, 2007, and
  - Received a Direct loan on or after October 1, 2011
- Borrower qualifies if annual monthly student loan payments exceed 10% of “discretionary income”
- Similar to IBR, borrower’s monthly payment will be determined by a formula that takes into account family size and adjusted gross income. Increases in income will impact the required monthly payment amount
- Unpaid balance may be forgiven after 20 years of qualifying repayment

# Top 10 Tips for Success in Repaying Your Student Loans

1. You do not have to wait until graduation.
2. Make a list of outstanding student loans
  - a. NSLDS for federal student loan
  - b. Credit Report for private educational loans
3. Keep your servicers updated with current contact information.
4. Select that right repayment plan that is right for you.
5. Start off on the right foot with on-time payments.
6. Sign up for automatic debit.
7. Consider paying extra each month.
8. Make your life easier by managing your account online.
9. Seek help at the first sign of financial difficulty.
10. Use deferment and forbearance as a last resort.

# Loan Repayment Resources

- Other Federal Resources:
  - [Repayment Plans & Calculators](#)
    - [Standard Repayment Plan](#)
    - [Graduated Repayment Plan](#)
    - [Extended Repayment Plan](#)
    - [Income-Based Repayment Plan](#)
    - [Pay As You Earn Plan](#)
    - [Income-Contingent Repayment Plan](#)
    - [Income-Sensitive Repayment Plan](#)
  - [Loan Consolidation](#)
  - [Deferment & Forbearance](#)
  - [Understanding Default](#)
  - [Debt Resolution](#) – Department of Education Default Resolution Group
  - [Total and Permanent Disability Discharge Application](#)
  - [Forgiveness, Cancellation & Discharge](#)
- Private Student Loan Concerns - [Consumer Financial Protection Bureau](#)

# Tools to Get Organized

- Sallie Mae
  - [Student Loan and Financial Planning Checklist](#) (great resource to start with to get organized)
  - [Loan Repayment Calculator](#)
  - [Monthly Budget Calculator](#)
  - [Monthly Savings Calculator](#)
  - [Repayment Worksheet](#)
  
- FedLoan Servicing (PHEAA)
  - [Public Service Loan Forgiveness](#)
  - [Employment Certification Form](#)
  
- Nelnet
  - [Live Life Smart Guide – Helpful Tips to Manage Your Student Loans](#)
  - [Financial Goals Worksheet](#)
  - [Budgeting Worksheet](#)
  - [Strategies to Save Money](#)
  
- American Student Assistance
  - [Income Driven Repayment Plans Comparison](#)
  - [Student Loan Survival Guide](#)
  - [Budget Worksheet](#)
  - [Budget Calculator](#)
  - [Student Loan Portfolio](#)
  - [Debt/Salary Wizard](#)
  - [Student Loan Repayment Checklist](#)

# Summary

- Prep Before you leave school
- Understand your credit score
- Create a Budget and Stick to it!
- Understand your repayment options
- Bar Study Loan options
- Resources available

**Good Luck and Congratulations!**

# Questions



# Presenters

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This presentation was developed by utilizing information available from various Resource Partners, including Sallie Mae and the U.S. Department of Education.

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