



# Managing Your Finances as a Veterinary Student Today

UC Davis

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- 1. Impact of recent regulatory changes**
- 2. Strategies for mitigating your debt burden**
- 3. Analytical tools and resources**

**Understanding your personal situation and making informed decisions will lower your total cost of borrowing**

## That was then . . .

- Stafford loans at a variable rate of 4.7%
- Consolidate Stafford loans prior to July 1<sup>st</sup> to lock in low rate and extend payment terms

## This is now . . .

- Stafford loans at a fixed rate of 6.8%
- Grad students are now able to receive PLUS Loans
- In-school consolidation is no longer allowed
- Consolidation still a viable option for graduating students
- Single Lender Rule repealed

## Stafford / Perkins:

- Federal loans with fixed rates
- Typically have lowest interest rates
- Do not require credit checks
- Maximum amount is \$38,500 per year for Stafford
- Next year maximum amount is \$40,500 per year for Stafford
- Perkins is need-based and determined by school

**But what if I need more?....**

**Goal: Bridge gap between cost of attendance and eligible Stafford loans**

## Graduate PLUS Loans

- Fixed rate: 7.9%
- Rate same for all (benefits vary by lender)
- Not credit score based
- Can use Federal Consolidation
- Better in high interest rate environments

## Private Loans

- Variable rate (Prime or LIBOR +)
- Rate based on credit score
- Eligibility based on credit standing
- Cannot use Federal Consolidation
- Better in low interest rate environments

**95% of students should choose a PLUS loan instead of a private loan**

## Why did I consolidate last year?

Lock in rate

Lower Monthly Payments

Administrative Simplicity

Superior Benefits

## Should I consolidate this year?

**NO**

~~Look in rate~~

New Stafford Loans are already fixed

**NO**

~~Lower Monthly Payments~~

Extended Payment Plans (25 yrs) available if you have over \$30,000 in total debt

**Maybe ?**

Administrative Simplicity

If you have multiple lenders this could still be valuable but no monetary savings

**Maybe ?**

Superior Benefits

This depends on the benefits of your underlying loans vs. new Consolidation loan  
You MUST understand the \$ value of the benefits you compare

**Consolidation no longer a “no-brainer”**

## **In-school and Immediately Following Graduation:**

- Concentrate on paying off “bad debt” such as high interest rate credit cards and private loans

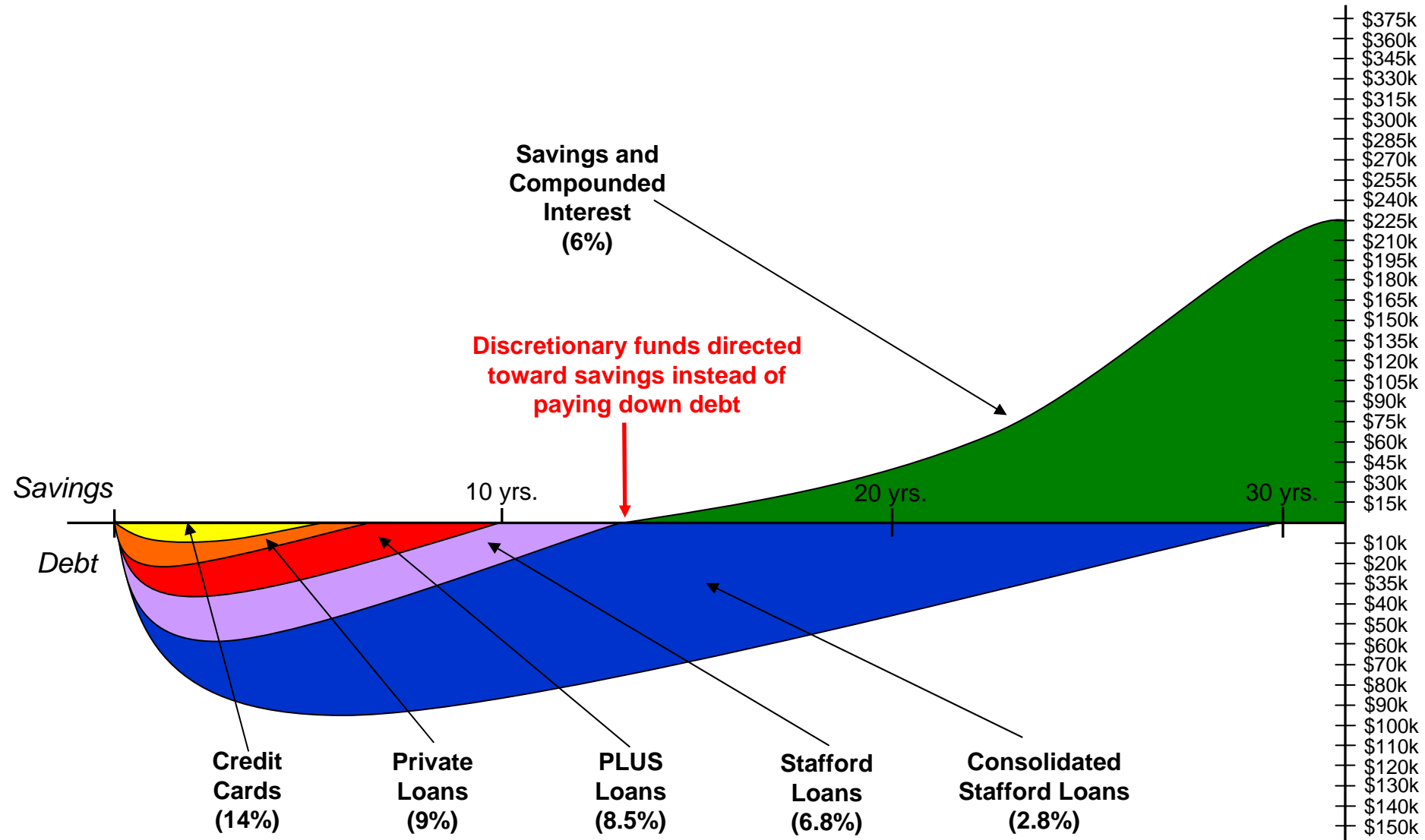
## **After “Bad Debt” is Paid Off:**

- Focus on setting aside as much money in savings account as possible
- Take advantage of compounding interest

**At 7% compounded interest your money doubles every 10 years**

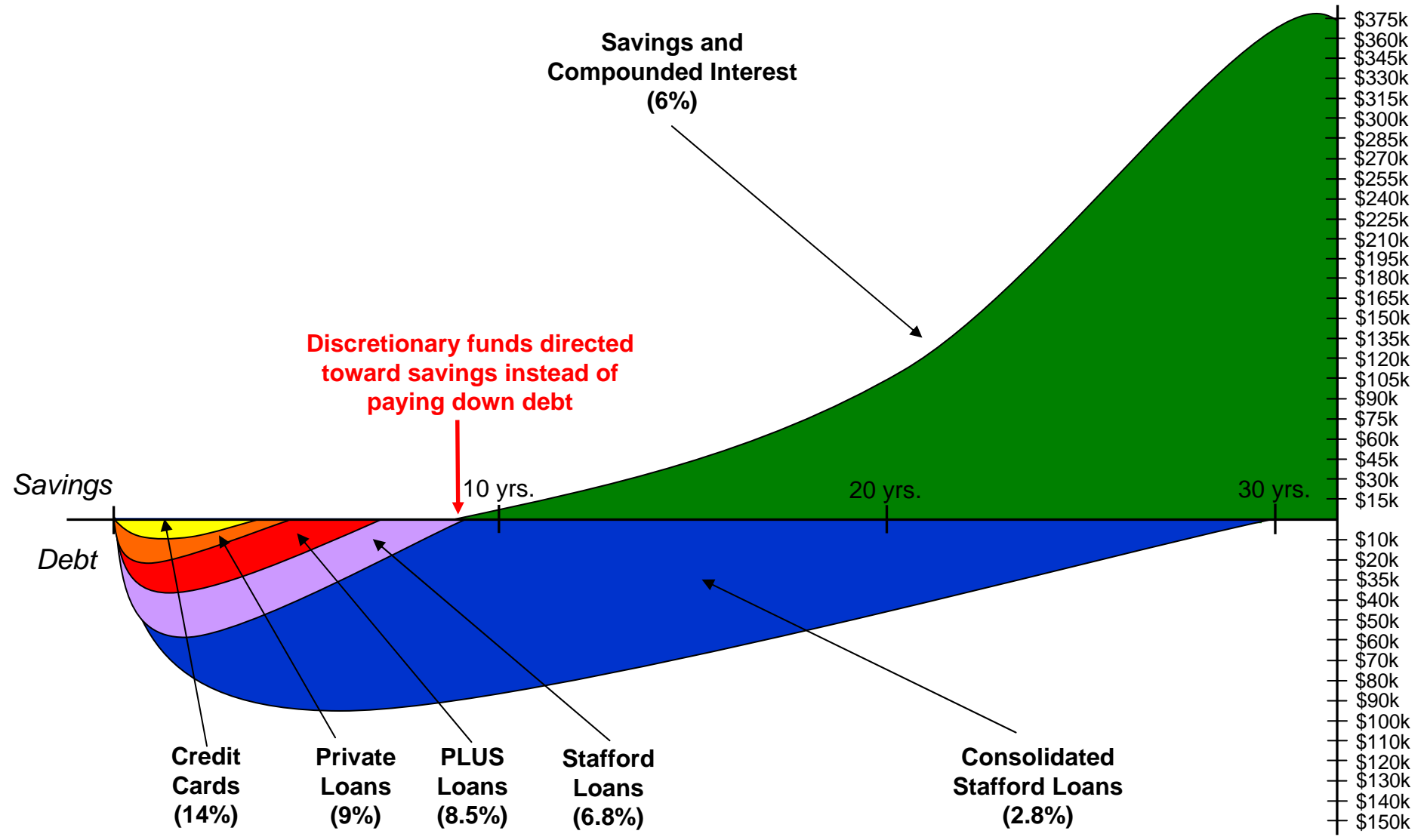


# Effective Management of Discretionary Funds

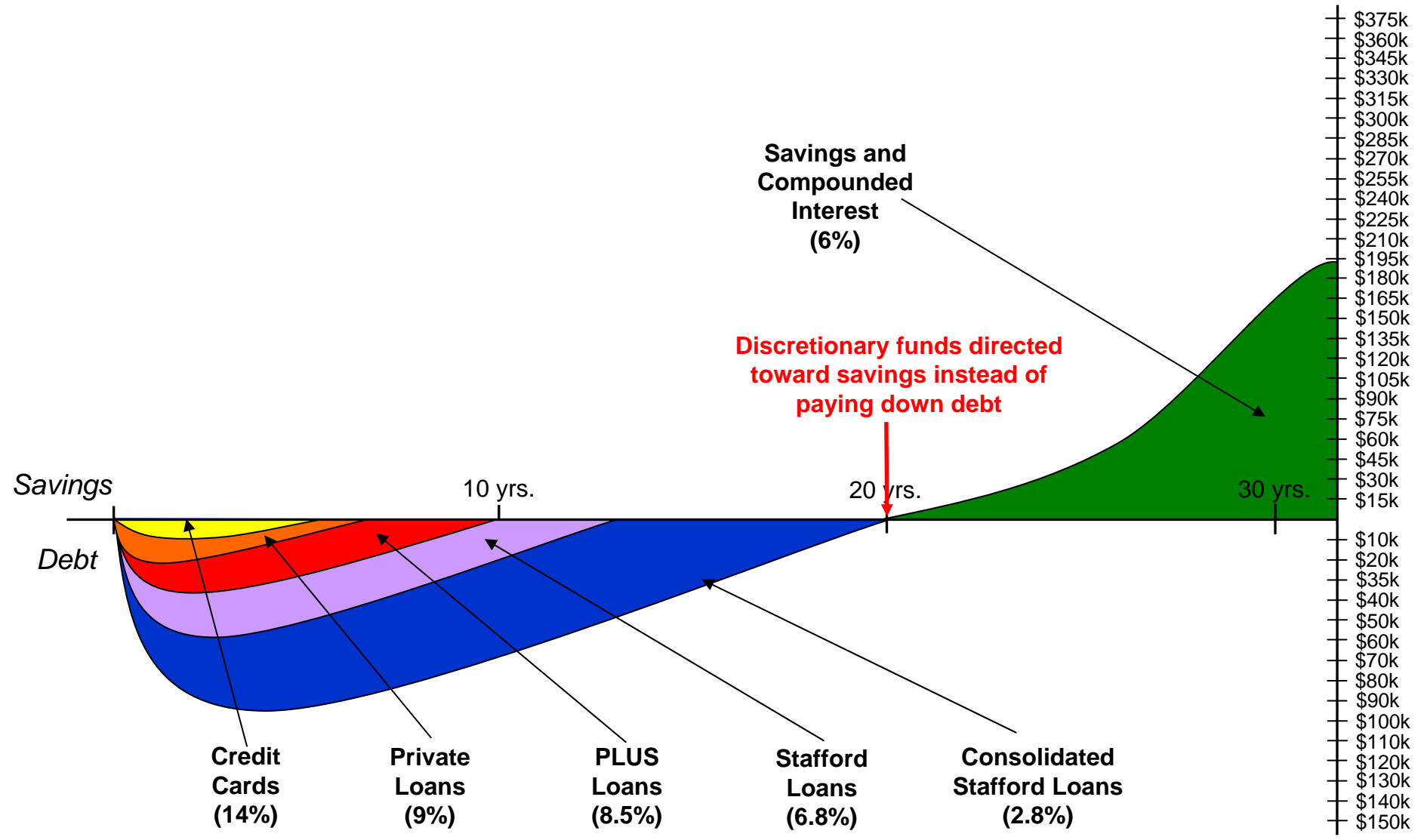




# Pay Down "Bad Debt" Early



# Pay Down "Good Debt" Early





# ***Graduate Leverage Debt Dashboard***

## **How does it work?**

- Graduate Leverage will provide a customized webpage that aggregates and prioritizes each student's outstanding debt obligations
- Dashboard will track private loans, PLUS loans, and Stafford loans

## **What are the benefits?**

- Ensures most economical utilization of discretionary funds to mitigate existing debt burden and maximize potential savings opportunity



# My Lender Portfolio

## My Loans as of August 2006

Type	Lender	Balance	Rate	Term	Effective APR	Payment	Payment Due	Expected Cost
Stafford	William Ford Direct	\$16,000.00	2.875%	25	4.95%	\$485.00	10/15/2006	\$21,573.58
Graduate PLUS	GCO-ELF	\$20,000.00	6.8%	25	5.75%	\$135.00	10/21/2006	\$28,491.32
Stafford (sub)	Washington Mutual	\$8,500.00	6.8%	25	5.82%	\$62.50	10/26/2006	\$12,309.14
Stafford (un-sub)	Washington Mutual	\$10,000.00	6.54%	25	5.62%	\$87.25	10/26/2006	\$14,930.57
Private	GCO-ELF	\$36,500.00	8.5%	10	8.25%	\$720.00	11/12/2006	\$46,124.82

Snapshot of current debt and expected cost

## My Profile

Mary, we have used the following metrics to determine your lowest cost of financing:

<b>School:</b> Columbia School of Law	<b>Credit Score:</b> Top Tier (VI)
<b>Current Year:</b> Entering Second Year	<b>Projected Repayment term:</b> 6 Years
<b>Expected Graduation Date:</b> May 2008	<b>Projected Mortgage Obligation:</b> \$272,000.00
<b>Expected Field of Practice:</b> Business Law & Financial Services	

Financing Alternatives

Based on our qualitative analysis the following loan options offer you the lowest cost of financing:

Type	Lender	Balance	Rate	Fee	Term	Effective APR	Payment	Expected Cost
Graduate PLUS	Lender A	\$20,000.00	6.8%	No (Refunded)	25	5.75%	\$155.00	\$24,762.49
Stafford	Lender B	\$15,000.00	6.8%	Yes	25	5.75%	\$110.00	\$17,824.41

Total Savings Vs. Your Current Lenders: \$6,245.00

Personalized Debt Management Analytics

## Debt Management Analysis

Mary, to further customize your personal Debt Management Analysis, please enter the below data to determine your financially targeted borrowing plan.

<b>Incremental Monthly Payment:</b>	<input type="text"/>	\$	<b>Projected Net Worth at 35 y.o.:</b> \$280,450.00 <b>Projected Payoff Date:</b> July, 2016
<b>Borrowed Amount:</b>	<input type="text"/>	\$	
<b>Expected Place of Residence:</b>	<input type="text" value="New York, New York"/>		
<b>Expected Field of Practice:</b>	<input type="text" value="Corporate Law"/>		

Comparison Tools

<b>Compare Lenders:</b>	<input type="checkbox"/> Total Higher Education	<input type="checkbox"/> GCO-ELF	<input type="checkbox"/> Bank of America
	<input type="checkbox"/> Direct Loans	<input checked="" type="checkbox"/> Sallie Mae	<input type="checkbox"/> JPMorgan Chase
	<input type="checkbox"/> MOHELA	<input checked="" type="checkbox"/> Citibank Student Loans	<input type="checkbox"/> US Bank
	<input type="checkbox"/> Wachovia	<input type="checkbox"/> The Access Group	<input type="checkbox"/> PNC
	<input type="checkbox"/> Wells Fargo	<input type="checkbox"/> Key Bank	<input checked="" type="checkbox"/> Suntrust