Student Loans 
and Debt Management

Exit Interview

Presenter’s name
Presenter’s title
Spring 2015

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2015 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.
Why am I here?
Agenda

Know Your Loan Portfolio

What Happens After Graduation

Repayment Plans

How Repayment Looks in Residency

Other Considerations
Oh, that’s why I’m here!
Know Your Loan Portfolio
Class of 2014 Indebtedness

Median MD School Debt: $180,000

- **PUBLIC**: $170,000
- **PRIVATE**: $200,000

Source: AAMC 2014 Graduate Questionnaire (GQ)

Got Private Loan Debt?
see pages 53 & 54
Master Promissory Note

Is a contract with the lender
Has a multi-loan feature
Details terms and conditions
Includes rights & responsibilities

Refer to page 7
Rights and Responsibilities

Rights include...

- Prepay any federal loan without penalty
- Change repayment plans
- Request a deferment or forbearance
- Request a shorter repayment schedule
- Review your promissory note for all rights
Rights and Responsibilities

Responsibilities include...

- Make on time loan payments
- Make payments despite non-receipt of bill
- Notify the servicer of changes in contact info
- Complete exit counseling
- Review your promissory note for all responsibilities

Refer to page 7
A Serious Obligation

Student loans must be repaid

Manage your debt - don’t let it manage you
Consequences

Refer to page 8

**Delinquency**
- Reported to credit bureaus
- Negatively affects credit

**Default**
- Entire balance due immediately
- Additional charges, fees, and collection costs
- Negatively affects credit
- Garnished wages and tax returns
- Withheld Social Security and disability benefits
- Responsible for legal fees and court costs
- Ineligible for additional student aid
- Other federal debt collection methods
Loan Discharge

Discharge may be available in cases of:

- **Death or Total/Permanent Disability**
  In the case of death, a death certificate must be submitted; in the case of disability, the borrower must apply to have the loans discharged and submit disability certification from a medical doctor.

- **Bankruptcy (Rarely)**
  In rare situations of bankruptcy where undue hardship can be proven in court.

- **School Closure or False Certification**
  If the school closed before you completed your program, falsely certified your loan eligibility, or failed to return funds to the lender on your behalf.

- **Identity Theft**
  If you are a victim of identity theft and the loans are not yours.

- **Teacher Loan Forgiveness**
  If you work in certain public school systems (i.e., teaching in a low-income area).
Finding Your Federal Loans

To access, provide:

SSN
Date of birth
First 2 letters of last name
FAFSA PIN or FSA ID

www.nslds.ed.gov
Contacting Your Federal Servicers

Refer to page 5-6

Can’t find your servicer?
Call FSA : 1-800-433-7327

For a list of all servicers AND their contact info:
www.studentaid.gov
Subsidized Versus Unsubsidized

Direct Subsidized
- Perkins*
- Primary Care Loans
- Loans for Disadvantaged Students*
- Institutional Loans (some)
- Consolidation Loans (underlying subsidized loans)

Direct Unsubsidized
- Direct PLUS
- Private Loans
- Institutional Loans (some)
- Consolidation Loans (underlying unsubsidized loans)

* subsidy and deferment rights lost during consolidation

Refer to page 10
During Medical School

Interest Rates *(BEFORE 7/1/2013)*

- **PERKINS LOAN***: 5.0%
- **STAFFORD LOAN**: 6.8%
- **DIRECT PLUS LOAN**: 7.9%

* PCL Loans and LDS Loans are also at a fixed 5%
Interest Rates (’13-’14 LOANS)

- **PERKINS LOAN***: 5.0% fixed
- **STAFFORD LOAN**: 5.41% fixed
- **DIRECT PLUS LOAN**: 6.41% fixed

* PCL Loans and LDS Loans are also at a fixed 5%
Interest Rates (’14-’15 LOANS)

- **Perkins Loan**: 5.0% (fixed)
- **Stafford Loan**: 6.21% (fixed)
- **Direct Plus Loan**: 7.21% (fixed)

*PCL Loans and LDS Loans are also at a fixed 5%*
Another Repayment Strategy

Send separate from required payments

Instruct them to APPLY NOW

Towards the highest % rate loan

Then follow-up to verify it was done

If possible, pay the interest on your loans - before they capitalize!
Capitalization

Addition of unpaid interest to the principal

$180,000 + $28,300 = $208,300

Principal + Interest = Larger Principal
What Happens After Graduation
Payment Notification

Make sure your servicer has your new address.

Review your repayment choices carefully.

Submit your request and documents promptly.
### Loan Repayment Timeline

<table>
<thead>
<tr>
<th>School</th>
<th>Residency/Graduate Fellowship</th>
<th>Post Residency</th>
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</thead>
<tbody>
<tr>
<td>Direct Loan</td>
<td></td>
<td>Repayment³</td>
</tr>
<tr>
<td>Consolidation Loan</td>
<td></td>
<td>Repayment³</td>
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<tr>
<td>PLUS Loan²</td>
<td>Disbursed on or after 7/1/08</td>
<td>Repayment³</td>
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<tr>
<td>Perkins Loan</td>
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<td>Repayment³</td>
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<tr>
<td>Primary Care Loan</td>
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<td>Repayment³</td>
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<tr>
<td>Loans for Disadvantaged Students (LDS)</td>
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<tr>
<td>Institutional Loan</td>
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<tr>
<td>Private Loan</td>
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<td>Repayment³</td>
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<tr>
<td>Enrolled</td>
<td>6-month deferment: Deferment¹, Internship/Residency Forbearance², or Repayment³</td>
<td></td>
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<tr>
<td>School Deferment</td>
<td>Deferment¹, Internship/Residency Forbearance², or Repayment³</td>
<td>Repayment³</td>
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<tr>
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<td>6-month deferment: Deferment¹, Internship/Residency Forbearance², or Repayment³</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Enrolled</td>
<td>9-month grace: Deferment¹, Forbearance³, or Repayment³ Possible 6 month post-deferment grace</td>
<td>Repayment³</td>
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<tr>
<td>Enrolled</td>
<td>12-month grace: Residency Deferment (up to 4 years in an eligible primary care residency program) Must re-apply each year</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Enrolled</td>
<td>12-month grace: Deferment available throughout residency Must re-apply each year</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Enrolled</td>
<td>Possible Grace, Deferment, or Forbearance Consult your financial aid office; check promissory note</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Enrolled</td>
<td>Possible Grace, Deferment, or Forbearance Varies by lender; check promissory note</td>
<td>Repayment³</td>
</tr>
</tbody>
</table>
Deferment Forbearance

Request 30-days before needed
Deferment

Must apply and qualify

Interest is waived on subsidized loans

Unsubsidized loans continue to accrue interest

Qualification requirements are typically STRICT

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Postponement Options

Refer to page 18

Forbearance

Must request from servicer

Interest accrues on all loans

Medical Residency Forbearance available

Reapply annually to postpone throughout residency

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Medical Residency Forbearance

Postpones payments in annual increments

Interest accrues on all loans

Capitalization at the end of residency
(if increments requested back-to-back throughout)

Request the following increment 30-days before it is needed

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Repayment Plans
Loan Repayment

Refer to pages 28-29
Effect on total cost

<table>
<thead>
<tr>
<th>Monthly Payment During Residency</th>
<th>Repayment Plan</th>
<th>Repayment Years after Residency</th>
<th>Estimated Monthly Payment after Residency</th>
<th>Interest Cost</th>
<th>Total Repayment</th>
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<tr>
<td>$0</td>
<td>Standard</td>
<td>10</td>
<td>$2,900</td>
<td>$166,000</td>
<td>$346,000</td>
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<tr>
<td>$0</td>
<td>Extended</td>
<td>25</td>
<td>$1,700</td>
<td>$329,000</td>
<td>$509,000</td>
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<td>$0</td>
<td>Graduated</td>
<td>10</td>
<td>$1,300 for 2 years then $3,400 for 8 years</td>
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<td>$359,000</td>
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<td>$0</td>
<td>ICR</td>
<td>7.1</td>
<td>$3,600 to $3,800 over 7.1 years</td>
<td>$138,000</td>
<td>$318,000</td>
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<tr>
<td>$0</td>
<td>IBR</td>
<td>10.5</td>
<td>$2,600 to $2,900 over 10.5 years</td>
<td>$171,000</td>
<td>$351,000</td>
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<tr>
<td>$0</td>
<td>PAYE</td>
<td>16</td>
<td>$1,800 to $2,700 over 16 years</td>
<td>$243,000</td>
<td>$423,000</td>
</tr>
</tbody>
</table>
Debt Fact

“\[\text{The lower the monthly payment, the higher the overall cost}\]”
Repayment Plans

Traditional

Monthly payments for the entire repayment term are calculated up-front and disclosed to you.

Based on a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,300 and a family size of one.
Monthly payments are based on your income and other factors - recalculated annually.

Based on a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,300 and a family size of one.

* New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to that of PAYE.
What’s the Catch?
Partial Financial Hardship (PFH)

$2,350 / mo > $430 (IBR) or $290 (PAYE)

Must have PFH to enter into IBR or PAYE

- Can remain in IBR or PAYE in subsequent years, even without a PFH
- Must submit annual documentation
- Max payment in IBR or PAYE is the Standard amount (determined when entering the plan)

Based on a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,300 and a family size of one.
PAYE Eligibility

Additional requirements

- **No outstanding loans on October 1, 2007** (or paid-off all outstanding loans before receiving a new loan on or after 10/1/07)

AND

- **Received a Direct Loan disbursement** on/after October 1, 2011
Options During Residency
Options During Residency

- Pay
  - PAYE
  - IBR
  - Extended Repayment

- Not Pay
  - Medical Residency Forbearance
Which Option to Choose?
Dr. Brown – “What I Can Afford”

Portfolio: $180,000  •  Monthly Stipend (PGY-1): $4,360
Standard $2,350/mo*  -  Extended $1,380/mo*  -  IBR $430/mo  -  PAYE $290/mo

Career: Emergency Medicine
$30K - credit cards & private loans
Will pay what he needs to

* Amounts for illustrative purposes only. Actual amounts will vary based on interest rates and portfolio composition.
Dr. Patel – “Pay ‘Em Fast”

Portfolio: $180,000  •  Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo*  -  Extended $1,380/mo*  -  IBR $430/mo  -  PAYE $290/mo

Career: General Surgery

No other debt

Wants loans repaid ASAP

Minimal living expenses

* Actual amounts will vary based on interest rates and portfolio composition.
Dr. Davis – “Family of Four”

Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo* - Extended $1,380/mo* - IBR $2,677/mo - PAYE $1,785/mo

Career: Internal Medicine

Spouse with > $200K income

Spouse has business debt + $150K in student loans

2 children and a mortgage

* Actual amounts will vary based on interest rates and portfolio composition.
Dr. Li – “Service is My Life”

Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo* - Extended $1,380/mo* - IBR $987/mo - PAYE $641/mo

Career: Pediatrics

Working towards loan forgiveness / repayment

Spouse with an identical portfolio and stipend

• Actual amounts will vary based on interest rates and portfolio composition.
The FIRST Stop

Medloans® Organizer and Calculator

- Upload your NSLDS loan data (details on page 4)
- Keep track of your student loan information
- Develop personalized repayment strategies

“…the Medloans® Calculator is pretty darned useful. Job well done!”

Frank Bauer, 2012 Graduate, URochester SOM

www.aamc.org/FIRST
Other Considerations
Loan Forgiveness (PSLF)

Refer to pages 45-46

- Eligible Loans
- Qualifying Payments
- Qualifying Work

Public Service Loan Forgiveness
Loan Forgiveness (PSLF)

Want to know more?

www.aamc.org/FIRST
Repayment Assistance

Information on other programs:

AAMC

National Institutes of Health (NIH)

National Health Service Corps (NHSC)

aamc.org/stloan

lrp.nih.gov

nhsc.hrsa.gov
Reasons to Consolidate

Refer to page 47

- Eligibility for PAYE
- Eligibility for PSLF
- Eligibility for IBR
- Reduce # of Servicers
Effects of Consolidating

Refer to pages 48-49

New loan

*with new terms and benefits*

Increased interest costs

*as a result of longer repayment term*

Possible higher interest rate

*due to rounding in the interest rate formula*

Possible negative effect on loan terms

*subsidies, grace, deferment, cancellation, forgiveness*
### Taxpayer Relief Act of 1997

#### Limited to:
First 60 months of repayment

#### Max student loan interest deduction:
$2,500/year

#### May be eligible:
Voluntary payments & capitalization

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>NO Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single</strong></td>
<td>$65,000 or less</td>
<td>$65,001 to $80,000</td>
<td>$80,001 or more</td>
</tr>
<tr>
<td><strong>Married filing Jointly</strong></td>
<td>$130,000 or less</td>
<td>$130,001 to $160,000</td>
<td>$160,001 or more</td>
</tr>
</tbody>
</table>

www.irs.gov/publications/p970
The Next Steps

The following is a brief guideline, for soon-to-be graduates, about the possible first steps for managing student loans as medical school transitions into residency.

**STEP #1: Immediately**
- ORGANIZE YOUR LOANS (See pages 3-5)
  - What types of loans do you have?
  - Who services the loans?
  - When is the first payment due?

**STEP #2: 30 Days Prior to Graduation**
- HANDLE LOANS WITHOUT A GRACE PERIOD (See pages 13-22)
  - Contact the servicer(s) to request either a repayment plan to pay under or forbearance to postpone payments
- CONSIDER PAYING SOME OF THE ACCRUED INTEREST (See pages 11-12)
  - Check with the servicer(s) to determine their policy on interest capitalization to know when your loans will capitalize

**STEP #3: Upon Graduation**
- CONSOLIDATION IS AN OPTION (See pages 47-51)
  - Applications can be submitted and processed immediately, or a request can be made and the application will be processed at or near the end of the grace period. Consolidation processing takes 30-60 days.

**STEP #4: When Residency Begins**
- YOU NOW QUALIFY FOR A MANDATORY MEDICAL RESIDENCY FORBEARANCE (See page 18)
  - As a resident, you are able to postpone payments through this forbearance (printed in annual increments)
  - If you do not qualify, Employment Certification Forms or Consolidation applications may be submitted to the appropriate servicer by the end of the grace period, or anytime in the future (See page 46)

**STEP #5: 30 Days Prior to the End of the Grace Period**
- DECIDE IF YOU WILL POSTPONE OR BEGIN REPAYMENT (See pages 30-31)
  - To postpone payments, contact the servicer(s) to discuss postponement options.
  - To start making payments, contact the servicer(s) to select a repayment plan—If you have not already done so.

**STEP #6: 1 Year After Repayment/Postponement Begins**
- SUBMIT ALL NECESSARY PAPERWORK TO YOUR SERVICER TO MAINTAIN THE REPAYMENT PLAN OR THE POSTPONEMENT OPTION YOU SELECTED.
Support Along The Way

studentaid.ed.gov/repay-loans/disputes

Federal Student Aid
An Office of the U.S. Department of Education

Find us on Facebook

Financial Aid Office & Residency Programs

Saltmoney.org/AAMC

www.aamc.org/FIRST

Medloans Organizer & Calculator

www.aamc.org/FIRST

$ALTMoney knowledge for college-and-beyond.

StudentLoans.gov

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“An investment in knowledge always pays the best interest”
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