Student Loans & Repayment Strategies
Prepared for the MD Class of 2019
OSU College of Medicine

Nicole Knight, MBA
Sr. Education Debt Management Specialist & Trainer
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Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2018 and are subject to change. These are estimates only. Students should contact their servicer to discuss exact loan balances and repayment options.

Why Do I Need to Know This?

Oh, That's Why!

Know Your Loan Portfolio

Agenda
Know Your Loan Portfolio
What Happens After Graduation
Repayment Plans
How Repayment Looks in Residency
Other Considerations

Free Online Resource (PDF via a Quick Download Link)

Education Debt Manager (EDM)

Know Your Loan Portfolio

aamc.org/first/edm
Class of 2018 Indebtedness

Median MD School Debt (in $200,000)

- **PUBLIC**
  - $190,000
- **PRIVATE**
  - $190,000
- **$210,000**

Source: AAMC 2018 Graduate Questionnaire (GQ)

75% of class report having education debt
51% report debt of $200,000 or higher

Class of 2018 Indebtedness

OSU COM Education Debt

- **Total Education Debt** (median) $203,500
- **Credit Card Debt** (median) $3,500

Source: AAMC 2018 Graduate Questionnaire. 2018 LCME I-B data: 76% w/ med debt, Avg MS debt per grad: $176,276.

**8% of the Class of 2018 report ed credit card debt.**

Finding Your Federal Loans

To access, provide your FSA ID, including:
Username & Password

For questions, visit [https://fsaid.ed.gov](https://fsaid.ed.gov)

Do You Have Other Debt?

annualcreditreport.com

nslds.ed.gov

Do You Have Other Debt?

annualcreditreport.com
**Subsidized vs. Unsubsidized**

**Sub•si•dy** [suhrb-si-dee] noun -
Financial assistance granted by the government to cover accruing interest while in-school, in grace, or in a qualifying deferment.

*Source: www.dictionary.com*

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**Fixed Interest Rates for the Class of 2019**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins*</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Direct Unsubsidized</td>
<td>5.84%</td>
<td>5.31%</td>
<td>6.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>6.84%</td>
<td>6.31%</td>
<td>7.0%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

* Perkins, PLUS and LDS loans are disbursed at a fixed rate of 5%. All loans shown have a fixed interest rate.

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**Capitalization**

**cap•i•tal•iza•tion** verb —
Unpaid interest that gets added to your student loan balance after periods when you don't make payments — such as [while you are in school].

Capitalized interest on student loans increases the total amount you have to pay back.

*Source: www.nerdwallet*

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**Capitalization for the Class of 2019**

\[
\text{Amount Borrowed} + \text{Interest} = \text{What You Owe}
\]

- **Amount Borrowed (principal balance)**: $203,500
- **Interest**: $32,000
- **What You Owe (larger principal balance)**: $235,500

*Based on total education debt (average self-reported by 2018 graduates from this medical school. 2018 GQ survey.*
When Sending a Voluntary Payment

1) Send as a Separate Payment
- Instruct servicer to APPLY NOW
- Specify WHERE to apply it (high interest rate loans are the priority)

2) Verify Payment was Applied Accurately
Pay the interest before it capitalizes (if/when possible).

Repayment Tip
Exercise Your Right to Prepay
Pay the interest before it capitalizes (if/when possible).

Capitalization for the Class of 2019

<table>
<thead>
<tr>
<th>Principal Borrowed</th>
<th>Interest</th>
<th>Owed after Grace</th>
<th>Interest/mo during Res.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140K</td>
<td>$22K</td>
<td>$162K</td>
<td>~$800/mo</td>
</tr>
<tr>
<td>$190K</td>
<td>$30K</td>
<td>$220K</td>
<td>~$1,100/mo</td>
</tr>
<tr>
<td>$200K</td>
<td>$31K</td>
<td>$231K</td>
<td>~$1,200/mo</td>
</tr>
<tr>
<td>$250K</td>
<td>$40K</td>
<td>$290K</td>
<td>~$1,500/mo</td>
</tr>
<tr>
<td>$300K</td>
<td>$50K</td>
<td>$350K</td>
<td>~$1,800/mo</td>
</tr>
</tbody>
</table>

Know Your Numbers
MedLoans® Organizer and Calculator
A free tool for MD students and graduates

After Graduation
The path for many federal student loans

Loan Repayment Timeline
The path for many federal student loans

When are the First Payments Due?
No Additional Grace Period for Direct Loans in Existence During:
• A gap between undergrad and medical school (if longer than 6 months)
• An LOA during medical school (if longer than 6 months)
(Grace Periods were already used and do not renew)
If Needed: Call the Servicers to request an Alignment Forbearance for loans w/o Grace
Post-Graduation: Decision Time

- Make Payments
- Postpone Payments

Postponement Options

- Forbearance
  - Interest accrues on all loans
  - Interest will capitalize
  - Contact each loan servicer to apply
    - Request 30-days before needed

- Medical Residency Forbearance
  - Postpones payments in annual increments
  - Capitalization may occur at end of residency
    (if increments occur back-to-back throughout residency)
  - An option for medical residents/interns

NOTE: Request increments in a timely manner to avoid unnecessary and additional capitalization.

Medical Residency/Internship Forbearance

Is it a Good Option?

- BEST for You, IF:
  - Seeking to REDUCE stress and financial obligations
  - Desiring to INCREASE disposable income
  - Have PRIVATE loans with higher interest rates

- NOT for You, IF:
  - Seeking Public Service Loan Forgiveness (PSLF)
  - Seeking an Income-Driven Repayment (IDR) plan forgiveness
  - Want to begin repayment immediately

Know Your Numbers

MedLoans® Organizer and Calculator

A free tool for MD students and graduates

- Aids in organizing loan data
- Tracks student loan information
- Builds personalized repayment strategies

www.medloans.org
Repayment Plans

**Standard**

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

**Extended**

**Graduated**

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

Traditional

- 10 Years: $2,600/mo
- 25 Years: $1,500/mo
- 10 Years: $1,200/mo

Income-Driven

- $740/mo
- $480/mo
- $320/mo

Payments are based on household income (AGI) and family size - recalculated annually.

Income-Contingent Repayment (ICR)

- 25 years

Income-Based Repayment (IBR)*

- 25 years

Pay As You Earn (PAYE)

- 20 years

Revised Pay As You Earn (REPAYE)

- 25 years

Based on the median total education debt borrowed by the Class of 2018 at this medical school, self-reported, 2018 GQ Survey.

* New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to that of PAYE.

IDR Plans Eligibility: Eligible Loans

- ICR
- IBR
- PAYE
- REPAYE

Perkins and LDS loans are not eligible... unless included in a Direct Consolidation Loan

Must have a Partial Financial Hardship (PFH)

LIKELY DURING RESIDENCY
The Test for a PFH

Partial Financial Hardship (PFH)

$2,600 / mo > $480 (IBR) or $320 (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)

“New Borrower” Defined

Two Requirements

1) 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

2) Received a Direct Loan disbursement on/after October 1, 2011

Revised Pay As You Earn (REPAYE) vs PAYE

All Borrowers Eligible

- Payment = 10% of Discretionary Income, Changes Yearly Based On Income and Family Size
- Forgiveness = 25 Years
- Interest Capitalizes When You Leave Plan
- 50% of the interest - that is not covered by monthly payment will be “subsidized”

Revised Pay As You Earn (REPAYE)

- Interest Accrual During Residency $1,200/mo
- REPAYE payment/mo for PGY1 ($300)

- UNPAID Interest = $900

- 50% Subsidized = $450

Remaining Interest Owed = $450

50% of interest, not covered by the monthly payment will be “subsidized”

Income-Driven Repayment (IDR)

IBR - PAYE - REPAYE

$0 Payments Maximize Forgiveness in PSLF

- No Cap on Payment
- Interest Subsidy

Payment of $0 for 12 Months

More Likely to Receive if You Consolidate Immediately After Graduation

Tax Return of “Zero” is Accepted

Self Certify Zero Taxable Income

Self Certify No Significant Change

More Likely to Receive if You Consolidate Immediately After Graduation
Are payments even possible during residency?

Budgeting During Residency

Assumptions: $3,485 per month after taxes, Social Security, Medicare, etc.

Yes… IF you budget!

Married Borrowers & Income-Driven Repayment

The Best Repayment Strategy

Case Studies

Questions?

Email: FIRST@aamc.org
How to Know Your “Best” Strategy

It’s not about the best one
It’s about what fits with your life and financial goals

Dr. Primary Care

Career: Family Medicine
Residency Length: 3 years
Starting Residency Stipend: $56,800
Post Residency Starting Salary: $195,000
Net Monthly Income: $3,600 (during residency) $11,500 (post residency)

Student Loan Debt: $203,500

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency (3 yrs)</th>
<th>Post-Residency Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$3,100</td>
<td>$372K</td>
<td>$0K</td>
<td>13</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 – $370</td>
<td>$1,600 – $2,300 (12 yrs)</td>
<td>$407K $429K</td>
<td>$67K</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 – $370</td>
<td>$1,600 – $2,500 (18 yrs)</td>
<td>$442K</td>
<td>$0K</td>
<td>21</td>
</tr>
</tbody>
</table>

Note: Based on PGY1 median stipend and MGMA starting salaries – 2019 Graduate. All figures approximate
Dr. Primary Care (3 Year Residency. Post Res Monthly Income $11,500)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency</th>
<th>Post-Residency Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$5,500</td>
<td>$661K</td>
<td>$0K</td>
<td>13</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 – $370</td>
<td>$1,600 – $2,300 (17 yrs)</td>
<td>$407K</td>
<td>$529K</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 – $370</td>
<td>$1,600 – $2,700 (22 yrs)</td>
<td>$560K</td>
<td>$444K</td>
<td>25</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2019 Graduate. All figures approximate

Dr. Cardiology (6 Year Residency. Post Res Net Monthly Income $18,000)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency</th>
<th>Post-Residency Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$3,600</td>
<td>$429K</td>
<td>$0K</td>
<td>16</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 – $460</td>
<td>$2,900 – $4,000 (14 yrs)</td>
<td>$372K</td>
<td>$0K</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 – $460</td>
<td>$2,900 – $3,600 (8 yrs)</td>
<td>$372K</td>
<td>$0K</td>
<td>15</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2019 Graduate. All figures approximate

Dr. Cardiology (6 Year Residency. Post Res Net Monthly Income $18,000)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency</th>
<th>Post-Residency Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years including Residency</th>
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</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$6,400</td>
<td>$768K</td>
<td>$0K</td>
<td>16</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 – $460</td>
<td>$2,900 – $4,000 (14 yrs)</td>
<td>$315K</td>
<td>$0K</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 – $460</td>
<td>$2,900 – $4,600 (19 yrs)</td>
<td>$315K</td>
<td>$0K</td>
<td>25</td>
</tr>
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Note: Based on PGY-1 median stipend and MGMA starting salaries – 2019 Graduate. All figures approximate

Other Considerations
Public Service Loan Forgiveness

Eligible Loans
Eligible Payments
Eligible Employment

Pay As You Earn (PAYE)
Revised Pay As You Earn (REPAYE)

myfedloan.org
aamc.org/first/pslfbooklet
aamcction.org/PSLFstories

Pay As You Earn (PAYE)
10
$1,300 – 1,500
$131K

Revised PAYE (REPAYE)
10
$1,300 – 1,500
$131K

Public Service Loan Forgiveness – Pediatrics
Dr. Peds: Borrowed $203,500, starting salary $165,000

Public Service Loan Forgiveness
Dr. Peds: Borrowed $300,000, starting salary $165,000

Loan Forgiveness – Taxable?

Yes
Income-Driven Plans

No
Public Service Loan Forgiveness

This amount paid does NOT change with HIGHER debt

But this one does – higher the debt, higher the forgiveness

Consolidation Vs. Refinancing

federal

Should I consolidate or refinance?

private
Reasons to Consolidate

- Eligibility for IBR
- Eligibility for PSLF
- Eligibility for PAYE or REPAYE
- Reduce # of Servicers

Should You Consolidate?

Should I Refinance?

Taxpayer Relief Act of 1997

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>NO Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$65,000 or less</td>
<td>$65,001 to $79,999</td>
<td>$80,000 or more</td>
</tr>
<tr>
<td>Married filing Jointly</td>
<td>$130,000 or less</td>
<td>$130,001 to $159,999</td>
<td>$160,000 or more</td>
</tr>
</tbody>
</table>

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

May be eligible: Voluntary payments & capitalization

www.irs.gov/publications/p970

Additional FIRST Resources

- aamc.org-FIRST
- Medloans® Organizer and Calculator
- Fact Sheets: Student Loan & Repayment
- Upcoming Webinar and Posted Videos

Should I Consolidate?

|                | aamc.org/first/consolidatequiz |

Should I Refinance?

|                | aamc.org/first/shouldirefinance |

Taxpayer Relief Act of 1997

|                | aamc.org/first/taxpayerreliefactof1997 |

www.irs.gov/publications/p970

Additional FIRST Resources

<table>
<thead>
<tr>
<th></th>
<th>aamc.org/financialwellness</th>
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<tr>
<td></td>
<td>aamc.org/first/financialplanning</td>
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<td>aamc.org/first/homefinancing</td>
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<td></td>
<td>aamc.org/nextsteps</td>
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<tr>
<td></td>
<td>aamc.org/first/financialplanning (time-stamped agenda)</td>
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<tr>
<td></td>
<td>aamc.org/first/financialplanning2 (time-stamped agenda)</td>
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<tr>
<td></td>
<td>aamc.org/first/homefinancing (time-stamped agenda)</td>
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<td></td>
<td>aamc.org/videowebinars</td>
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</table>
“An investment in knowledge always pays the best interest”