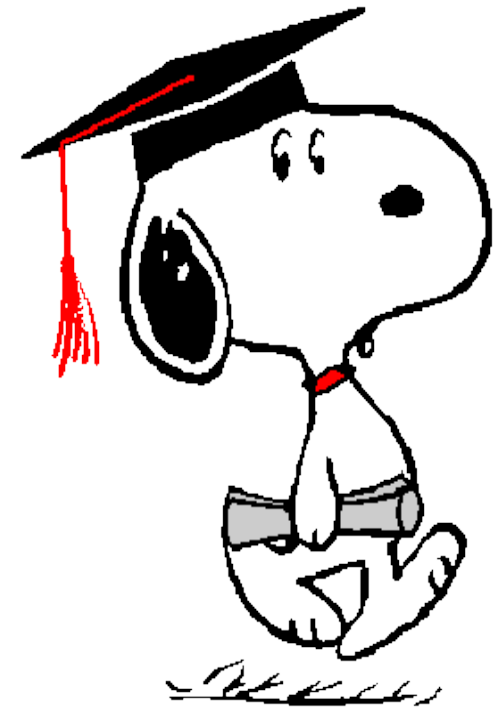


From the SOM Financial Aid Office...

Congratulations!
University of Louisville
School of Medicine
Class of 2018!



Student Loans and Repayment Strategies

Prepared for the Graduating Class of 2018

Leslie R. Kaelin M.Ed.
UofL SOM Financial Aid Director
Spring 2018

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(s) to discuss exact loan balances and repayment options.



Why Do I Need to Know This?





Oh, That's Why!





Agenda

Know Your Loans

What Happens After Graduation

Repayment Plans

How Repayment Looks in Residency

Other Considerations

Free Online Resource *(PDF Download)*

Education Debt Manager (EDM)

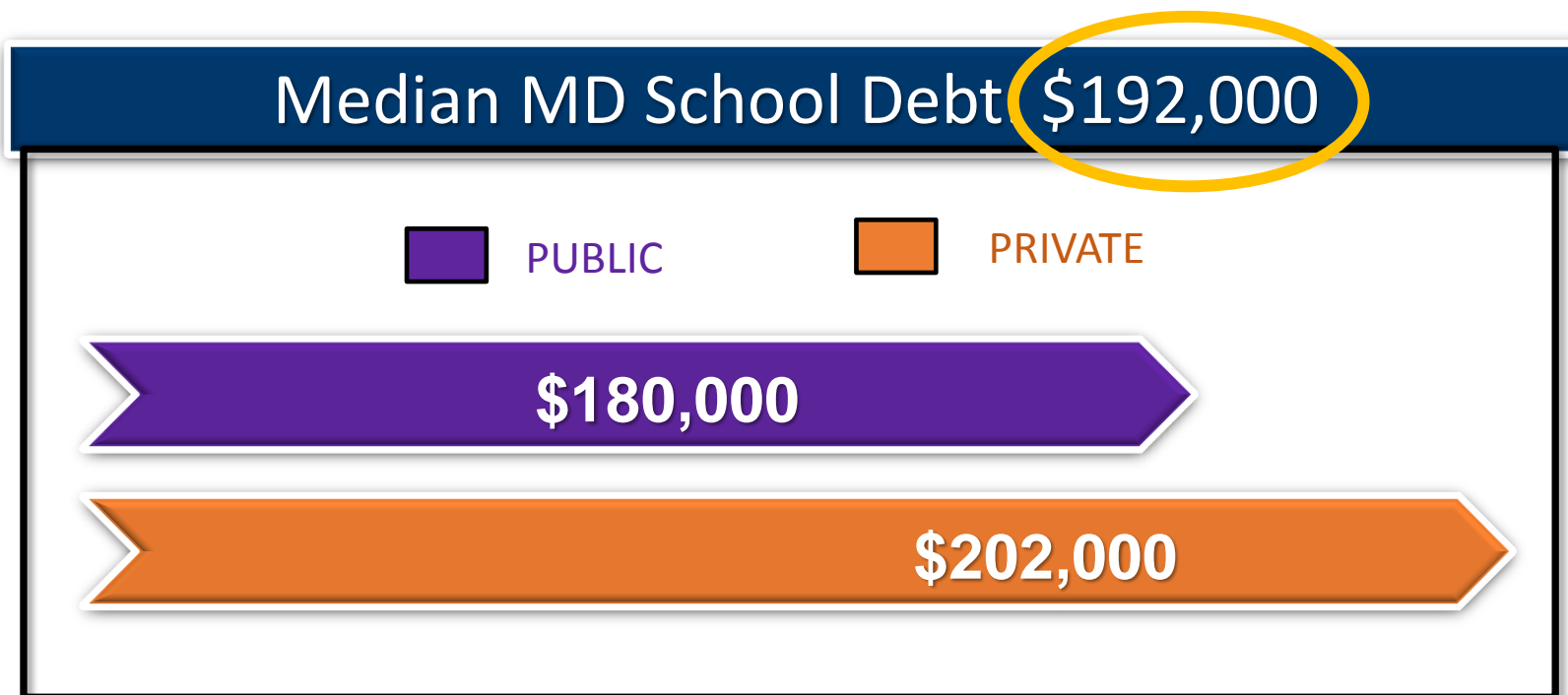


aamc.org/first/graduating-edm

Know Your Loan Portfolio



Class of 2017 Indebtedness



Source: AAMC 2017 Graduate Questionnaire (GQ)

75% of class report having educational debt

48% report debt of \$200,000 or higher



UofL SOM Class of 2018 Debt

- Estimated Average **TOTAL DEBT** (ME & Prior Debt) for 127 graduates
 - (28 graduates without ME & Prior Debt not included in average)
 - **Class of 2018-\$213,291**
 - (Class of 2017-\$191,334)
- Estimated Average **MEDICAL SCHOOL DEBT ONLY** for 124 graduates
 - (31 graduates without ME Debt not included in average)
 - **Class of 2018-\$197,948**
 - (Class of 2017-\$181,544)

Master Promissory Note



Is a contract with the lender

Has a multi-loan feature

Details terms and conditions

Includes rights & responsibilities

Rights and Responsibilities

RIGHTS

- ✓ Prepay any federal loan without penalty
- ✓ Change repayment plans
- ✓ Request a deferment or forbearance
- ✓ Request a shorter repayment schedule
- ✓ *Review the promissory note for all rights*

Rights and Responsibilities

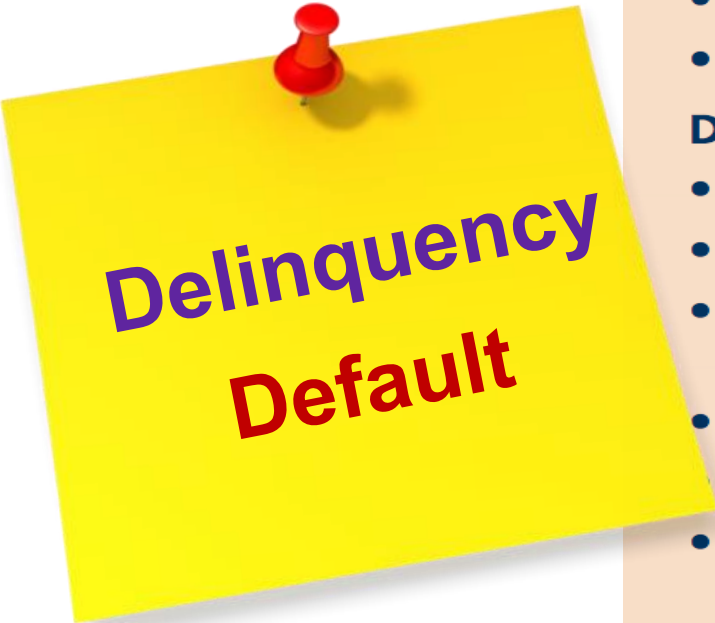
RESPONSIBILITIES

- ✓ Make on time loan payments
- ✓ Make payments despite non-receipt of bill
- ✓ Notify servicer if contact information changes
- ✓ Complete exit counseling
- ✓ *Review promissory note for all responsibilities*

A Serious Obligation



Student loans must be repaid



Delinquency Default

Consequences of ...

Delinquency

- Reported to credit bureaus.
- Negatively affects credit.

Default

- Reported to credit bureaus.
- Entire balance becomes due immediately.
- Additional charges, fees, and collection costs are assigned.
- Negatively affects credit.
- Wages and tax returns are garnished.
- Social Security and disability benefits are withheld.
- Legal fees and court costs are your responsibility.
- You are ineligible for additional student aid.
- Other federal debt collection methods are used.

What Should I Do If I Cannot Pay?

Call your servicers immediately!



Loan Discharge





Finding Your Federal Loans



To access, provide your
FSA ID, including :

Username & Password

For questions, visit <https://fsaid.ed.gov>

nslds.ed.gov



Subsidized Loans vs. Unsubsidized Loans

Subsidized

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

Unsubsidized

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

* Subsidy and deferment rights are lost in a consolidation loan

Fixed Interest Rates *for the Class of 2018*

FIRST PROGRAM

| M1 2014-15 | M2 2015-16 | M3 2016-17 | M4 2017-18 |
|---------------------------------|---------------------------------|---------------------------------|--------------------------------|
| PERKINS* 5.0% | PERKINS* 5.0% | PERKINS* 5.0% | PERKINS* 5.0% |
| DIRECT UNSUBSIDIZED 6.21% | DIRECT UNSUBSIDIZED 5.84% | DIRECT UNSUBSIDIZED 5.31% | DIRECT UNSUBSIDIZED 6.0% |
| DIRECT PLUS 7.21% | DIRECT PLUS 6.84% | DIRECT PLUS 6.31% | DIRECT PLUS 7.0% |

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

Capitalization

Addition of unpaid interest to the principal

\$192,000



\$30,400



\$224,200



Principal

+

Interest

=

**Larger
Principal**

Repayment Tip

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 on your loans
before they capitalize – when possible.



After Graduation



Loan Repayment Timeline

The path for many federal student loans

IN-SCHOOL



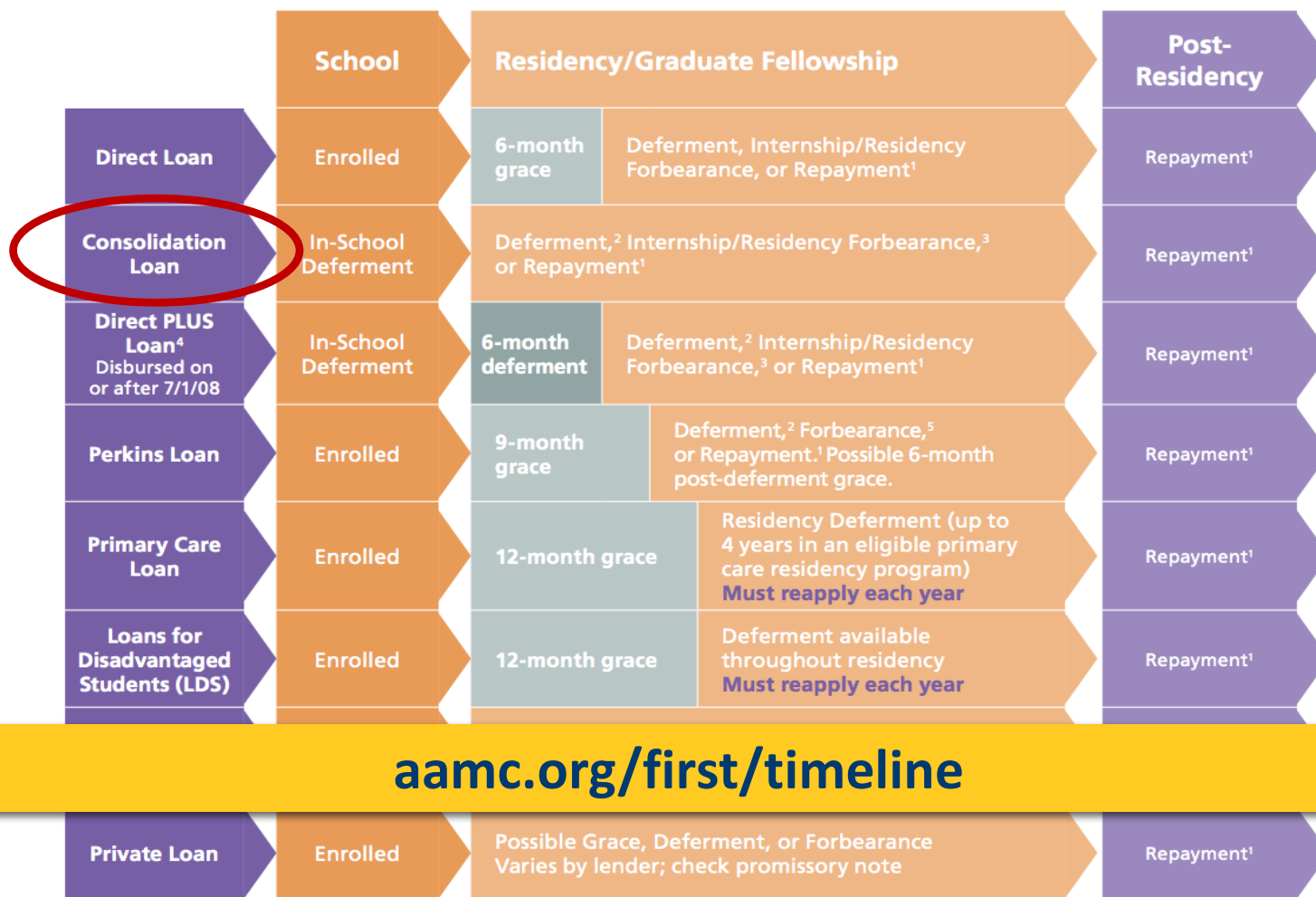
GRACE

REPAYMENT

When are the First Payments Due?

Loan Repayment Timeline

FIRST PROGRAM



aamc.org/first/timeline

Postponement Options

Contact the loan servicer to apply
- *Request 30-days before needed* -

Forbearance

Deferment

Postponement Options

Deferment

Subsidized loans are interest free

Interest accrues on unsubsidized loans

Contact each loan servicer to apply

Strict requirements to qualify

NOTE: For more details, or to request a deferment or forbearance, contact each loan servicer



Postponement Options

Forbearance

Interest accrues on all loans

Interest will capitalize

Contact each loan servicer to apply

Request 30-days before needed

NOTE: For more details, or to request a deferment or forbearance, contact each loan servicer

Postponement Options

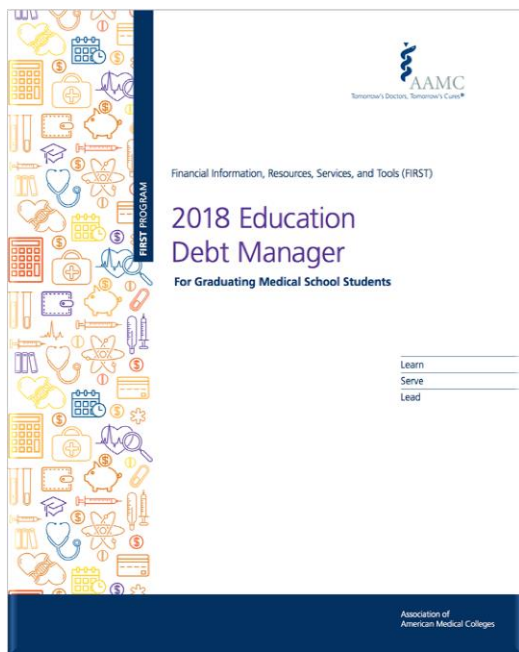
Medical Residency Forbearance

- ➔ **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.

Repayment Plans

Monthly Payment Estimator



AAMC Monthly Payment Estimator for Medical Students—Direct Unsubsidized Loans

| Direct Unsubsidized Loans for a Borrower With a \$225,000 Starting Salary After Four-Year Residency | | | | | | |
|---|----------------------|--------------|--------------|----------------------------------|--------------------------------|--------------------------------|
| Loan Amount | Balance at Repayment | Standard | Extended | IBR | PAYE | REPAYE |
| | | 10-Year Term | 25-Year Term | Post-Residency Payment and Years | | |
| | | | | \$470-\$580 during residency | \$310-\$380 during residency | \$310-\$380 during residency |
| \$100,000 | \$115,593 | \$1,275 | \$734 | \$1,275 for 10.3 years | \$1,275 for 11.3 years | \$1,949-\$2,155 for 5.8 years |
| \$110,000 | \$127,152 | \$1,402 | \$808 | \$1,402 for 10.6 years | \$1,402 for 11.5 years | \$1,949-\$2,199 for 6.6 years |
| \$120,000 | \$138,711 | \$1,530 | \$881 | \$1,530 for 10.8 years | \$1,530 for 11.7 years | \$1,949-\$2,256 for 7.3 years |
| \$130,000 | \$150,271 | \$1,657 | \$954 | \$1,657 for 11 years | \$1,657 for 11.8 years | \$1,949-\$2,314 for 8.1 years |
| \$140,000 | \$161,830 | \$1,784 | \$1,028 | \$1,784 for 11.2 years | \$1,784 for 11.9 years | \$1,949-\$2,314 for 8.8 years |
| \$150,000 | \$173,389 | \$1,912 | \$1,101 | \$1,912 for 11.3 years | \$1,912 for 12 years | \$1,949-\$2,374 for 9.6 years |
| \$160,000 | \$184,949 | \$2,039 | \$1,175 | \$2,039 for 11.4 years | \$1,949-\$2,039 for 12.2 years | \$1,949-\$2,435 for 10.3 years |
| \$170,000 | \$196,508 | \$2,167 | \$1,248 | \$2,167 for 11.6 years | \$1,949-\$2,167 for 12.7 years | \$1,949-\$2,498 for 11.2 years |
| \$180,000 | \$208,199 | \$2,231 | \$1,285 | \$2,299 for 11.7 years | \$1,949-\$2,299 for 13.4 years | \$1,949-\$2,562 for 12.1 years |

This chart shows the repayment plans most commonly chosen by medical school borrowers. For a full list of all possible repayment plans, consult your servicer or the Federal Student Aid website (studentaid.ed.gov/repay-loans/understandplans). These figures provide a borrower with estimates of balances and monthly payment amounts. They are estimates only, based on federal regulations, and are subject to change. (Values are rounded to the nearest dollar.) Contact your servicer(s) to discuss your exact balance and payment amounts. The loan amount is assumed to be spread out over four years in eight equal disbursements.

All values above are based on the following assumptions:

- Direct Unsubsidized Loans with interest rates of 6.21% for the first year, then 5.84%, then 5.31%, and then 6.00% for the final year of medical school.
- Four years of medical school and then a six-month grace period with the capitalization of all accrued interest occurring at the end of the grace period. Per federal regulations, income-driven repayment amounts are based on federal poverty guidelines, family size, and stipend/salary.

The IBR, PAYE, and REPAYE values above are based on the following assumptions:

- Family size of one in the 48 contiguous states.
- Monthly payment amounts increase gradually each year starting at an estimated \$310/PAYE and REPAYE or \$470/IBR in year one, up to an estimated \$380/PAYE and REPAYE or \$580/IBR in year four (based on estimated median stipend amounts from the AAMC Survey).

PLUS Loans

| After Four-Year Residency | |
|---------------------------|------------------------------|
| | REPAYE |
| Interest and Years | |
| | \$310-\$380 during residency |
| 5 years | \$60-\$85 for 11 years |
| 12.9 years | \$116-\$172 for 11.4 years |
| 13.2 years | \$169-\$247 for 11.9 years |
| 13.7 years | \$218-\$334 for 12.3 years |
| 14.2 years | \$265-\$401 for 12.8 years |

Based on the following assumptions:

Interest rates of 7.21% for the first year, and then 7.00% for the final year of

medical school and then a six-month post-enrollment capitalization of accrued interest occurring at the end of the grace period, if taken, at the end of the grace period.

1. Direct PLUS Loans are assumed to be repaid over 10 years. Under these plans, payments are based on the percentage of total loan balance. For example, if the monthly payment is \$100, the Direct PLUS balance is 10% of the total loan (or \$200) would be applied to the balance.

Repayment amounts are based on family size, and stipend/salary.

Values above are based on the following

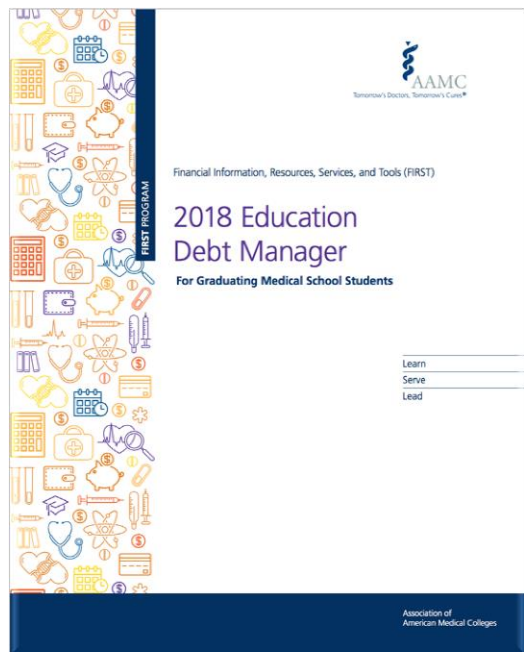
assumptions:

48 contiguous states. Monthly payment amounts increase gradually each year starting at an estimated \$310/PAYE and REPAYE or \$470/IBR in year one, up to an estimated \$380/PAYE and REPAYE or \$580/IBR in year four (based on estimated median stipend amounts from the AAMC Survey).

aamc.org/first/estimator

Managing Loans During Residency

The Impact of Popular Management Strategies



| PAYE Payments During a Four-Year Residency | | | | | |
|--|--|---------------------------------|---|---------------|-----------------|
| Monthly Payment During Residency | Repayment Plan | Repayment Years After Residency | Estimated Monthly Payment After Residency | Interest Cost | Total Repayment |
| \$310 to \$380 | PAYE during and after residency | 14.5 | \$1,900 to \$2,500 | \$213,000 | \$405,000 |
| \$310 to \$380 | PAYE during residency then Standard | 6 | \$4,300 | \$133,000 | \$325,000 |
| \$310 to \$380 | PAYE during residency then Extended | 21 | \$1,800 | \$278,000 | \$470,000 |

| REPAYE Payments During a Four-Year Residency | | | | | |
|--|--|---------------------------------|---|---------------|-----------------|
| Monthly Payment During Residency | Repayment Plan | Repayment Years After Residency | Estimated Monthly Payment After Residency | Interest Cost | Total Repayment |
| \$310 to \$380 | REPAYE during and after residency | 13.3 | \$1,900 to \$2,600 | \$177,000 | \$369,000 |
| \$310 to \$380 | REPAYE during residency then Standard | 6 | \$4,000 | \$111,000 | \$303,000 |
| \$310 to \$380 | REPAYE during residency then Extended | 21 | \$1,700 | \$246,000 | \$438,000 |

| IBR Payments During a Four-Year Residency | | | | | |
|---|---|---------------------------------|---|---------------|-----------------|
| Monthly Payment During Residency | Repayment Plan | Repayment Years After Residency | Estimated Monthly Payment After Residency | Interest Cost | Total Repayment |
| \$470 to \$580 | IBR during and after residency | 12 | \$2,500 | \$182,000 | \$374,000 |
| \$470 to \$580 | IBR during residency then Standard | 6 | \$4,100 | \$131,000 | \$323,000 |
| \$470 to \$580 | IBR during residency then Extended | 21 | \$1,700 | \$271,000 | \$463,000 |

Assumptions: A medical student borrows \$192,000 in principal during medical school via Direct Unsubsidized (\$175,000) and Direct PLUS (\$17,000) loans with interest rates that change annually. After graduating, the borrower immediately begins a six-month grace period and then chooses Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), or Income-Based Repayment (IBR) during a four-year residency. Post residency starting salary is \$225,000 (in 2016 dollars). Unpaid interest from residency will capitalize per payment plan regulations. Total repayment includes payments made during four-year residency. (Values are rounded.)

approximately \$275,000, which includes \$30,000 in unpaid medical school interest that capitalizes at the end of the grace period and \$53,000 in unpaid residency interest that capitalizes at the end of residency. (Values are rounded.)

| Monthly Payment After Residency | Interest Cost | Total Repayment |
|---------------------------------|---------------|-----------------|
| \$3,000 | \$174,000 | \$366,000 |
| \$1,800 | \$337,000 | \$529,000 |
| or 2 years then 10 for 8 years | \$187,000 | \$379,000 |
| over 7 years | \$145,000 | \$337,000 |
| to \$3,000 over 12 years | \$175,000 | \$367,000 |
| to \$2,800 over 6 years | \$245,000 | \$437,000 |

Unsubsidized (\$175,000) and Direct PLUS (\$17,000) loans with interest rates that change annually. After graduating, the borrower immediately begins a six-month grace period and then chooses PAYE, REPAYE, or IBR during a four-year residency. Post residency starting salary is \$225,000 (in 2016 dollars). Unpaid interest from residency will capitalize per payment plan regulations. Total repayment includes payments made during four-year residency. (Values are rounded.)

**“ 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.

10
Years

\$ 2,460/mo

25
Years

\$ 1,420/mo

10
Years

\$ 1,100/mo

* Based on the median debt from the Class of 2018 at this medical school, a PGY1 stipend of \$55,700 and a family size of one.

Repayment Plans

FIRST PROGRAM

Income-Driven

\$730/mo

\$470/mo

\$310/mo

\$310/mo

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

Based on the median debt from the Class of 2018 at this medical school, a PGY1 stipend of \$55,700 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?

How are these payments possible?



Income-Driven Repayment (IDR) Plans

ICR

=

20%

IBR

=

15%

LOWEST

PAYE

=

10%

LOWEST

REPAYE

=

10%

Different Payment Amounts



IDR Plans: Payments

ICR



No
Max

IBR



Max

PAYE



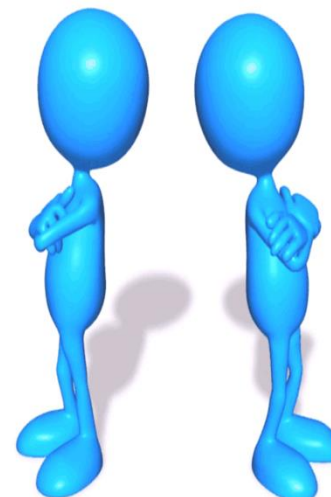
Max

REPAYE



No
Max

Different Payment Limits



IDR Plans: Terms

ICR

=

25
years

IBR

=

25
years

LEAST

PAYE

=

20
years

REPAYE

=

25
years

Different Term Lengths





IDR Plans Eligibility: Eligible Loans

ICR



Eligible
Loans

IBR



Eligible
Loans

Direct Only

PAYE



Eligible
Loans

Direct Only

REPAYE

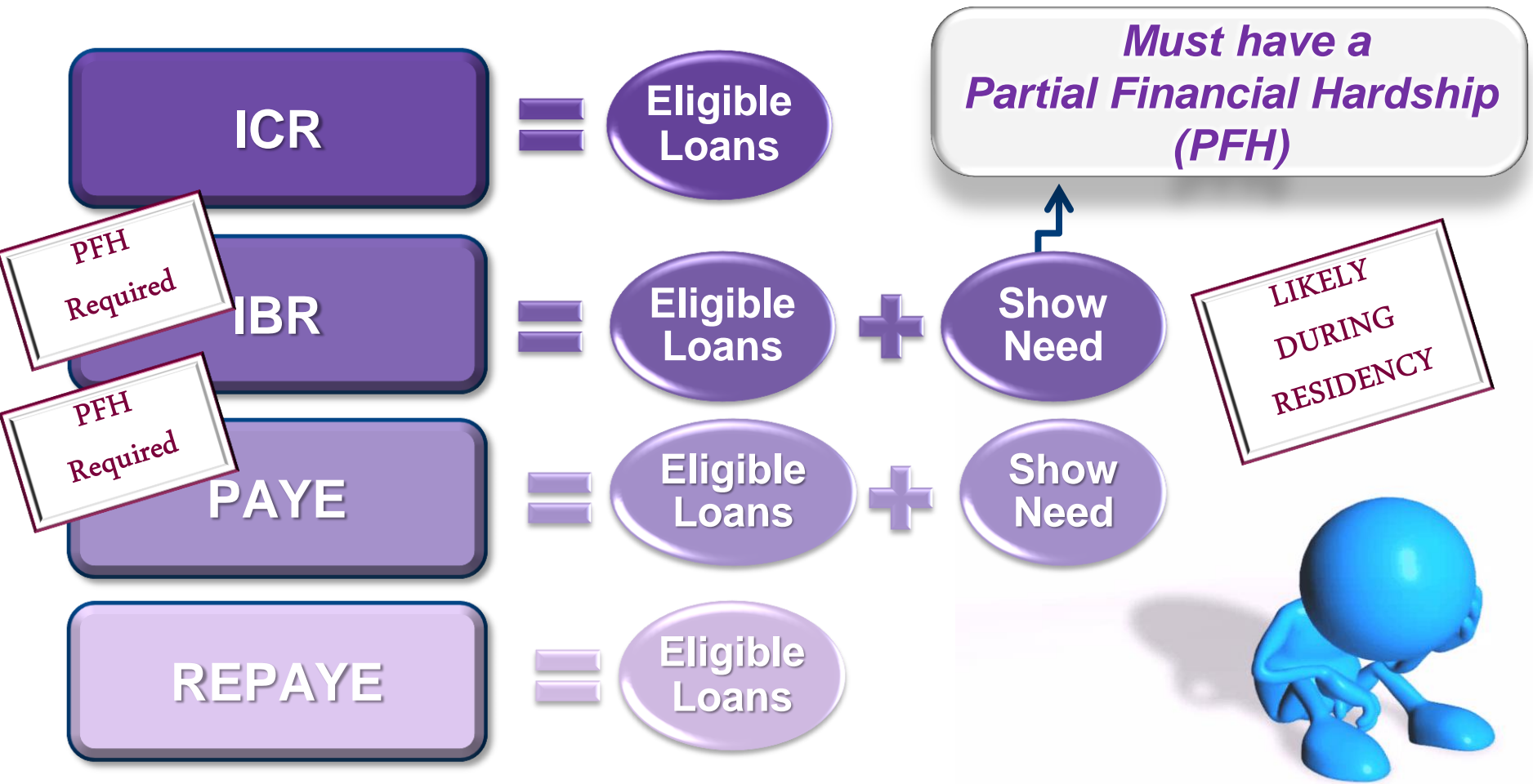


Eligible
Loans

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



IDR Plans Eligibility: Financial Need





The Test for a PFH

Partial Financial Hardship (PFH)

\$2,460 / mo



**\$470 (IBR) or
\$310 (PAYE)**

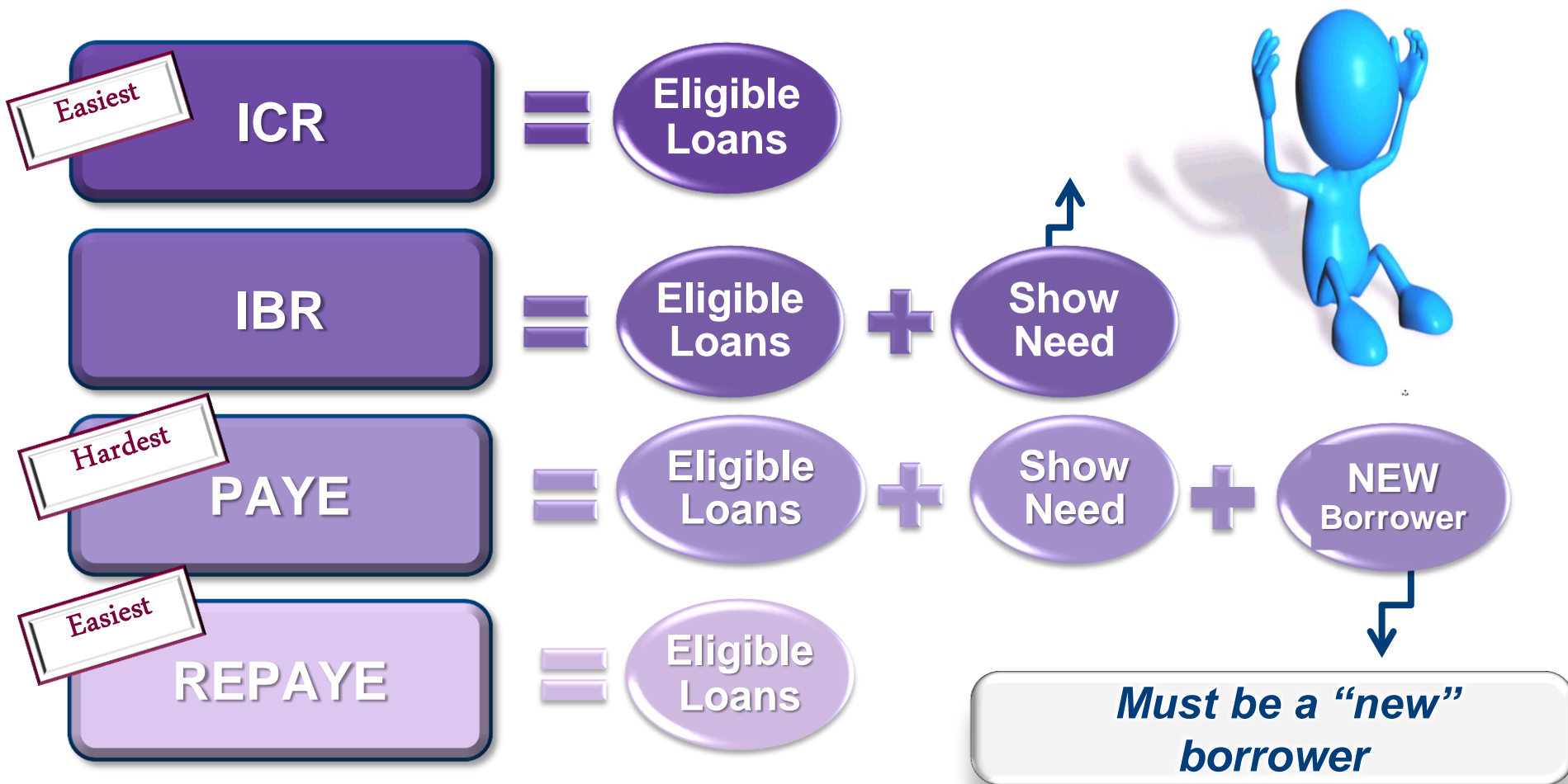
Must have PFH to enter into IBR or PAYE

- 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 indebtedness of 192K with a PGY1 stipend of \$5,700 and a family size of one.

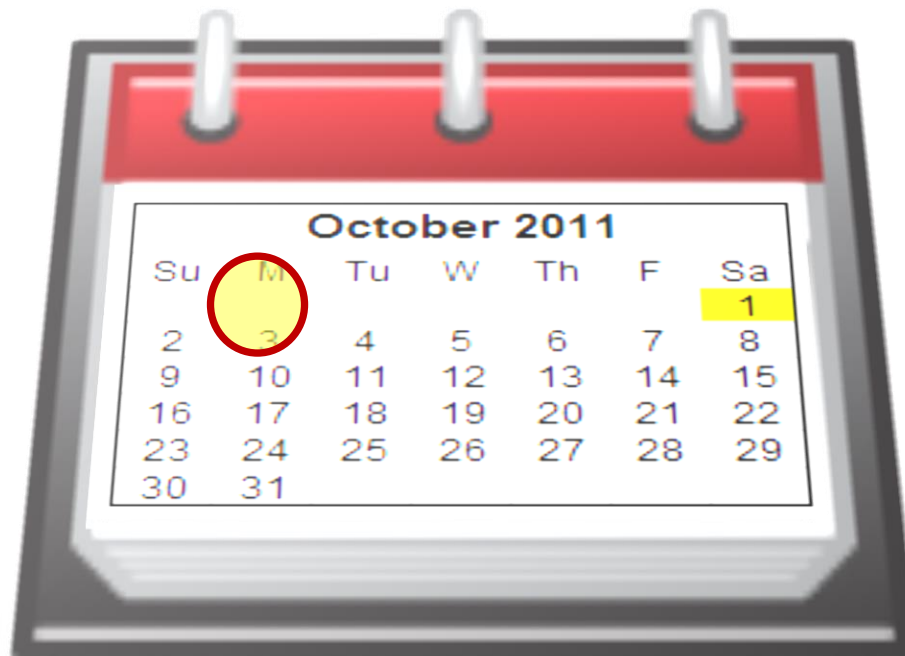


IDR Plan Eligibility: New Borrowers Only



“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

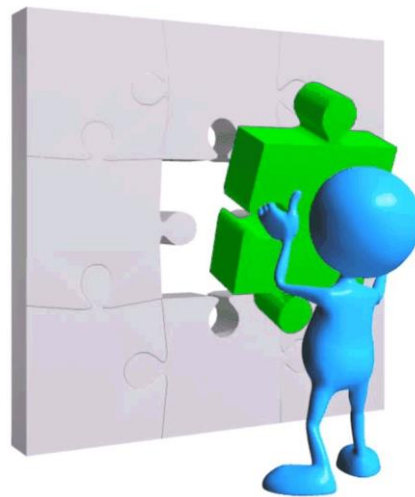
2) Received a Direct
Loan disbursement
on/after October 1, 2011



How to Know Your “Best” Strategy

It's not about the **best** one

It's about what **fits** with your life and financial goals



Options During Residency

CASE STUDIES



Decision Time: 6 Months Post-Graduation

**Make
Payments**

**PAYE
REPAYE
IBR**

**Postpone
Payments**

**Medical
Residency
Forbearance**





Which Option to Choose?



Dr. Internal Medicine (General)

Student Loan Debt: \$192,000

Career: Internal Medicine

Residency Length: 3 years

Debt: \$192,000

Post-Res. Y-1 Salary: \$190,000



Dr. Internal Medicine (General)



Student Loan Debt: \$192,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven* | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|-----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$1,600 – 2,300 | \$402k | \$23k* | | X |
| Revised Pay As You Earn (REPAYE) | 20 | \$1,600 – 2,300 | \$3967k | \$0 | | |
| Income-Based (IBR) | 15 | \$2,400 – 2,500 | \$353k | \$0 | X | |

aamc.org/medloans

* Currently a taxable forgiveness amount.

Dr. Internal Medicine (General)



Student Loan Debt: \$250,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$1,600 – 2,300 | \$402k | \$239k* | X | |
| Revised Pay As You Earn (REPAYE) | 25 | \$1,600 – 2,600 | \$551k | \$107k | | X |
| Income-Based (IBR) | 19 | \$2,400 – 3,300 | \$528k | \$0 | | |

aamc.org/medloans

* Currently a taxable forgiveness amount.

Dr. Internal Medicine (General)



Student Loan Debt: \$325,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$1,600 – 2,200 | \$402k | \$458k* | X | |
| Revised Pay As You Earn (REPAYE) | 25 | \$1,600 – 2,600 | \$551k | \$380k* | | |
| Income-Based (IBR) | 25 | \$2,400 – 3,900 | \$826k | \$ 20k* | | X |

aamc.org/medloans

* Currently a taxable forgiveness amount.



Dr. ObGyn

Student Loan Debt: \$192,000

Career: Obstetrics & Gynecology

Residency Length: 4 years

Debt: \$192,000

Post-Res. Y-1 Salary: \$240,000



Dr. ObGyn



Student Loan Debt: \$192,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 18 | \$2,100 – 2,500 | \$393k | \$0 | | X |
| Revised Pay As You Earn (REPAYE) | 17 | \$2,100 – 2,700 | \$358k | \$0 | X | |
| Income-Based (IBR) | 16 | \$2,500 | \$374k | \$0 | | |

aamc.org/medloans

* Currently a taxable forgiveness.

Dr. ObGyn



Student Loan Debt: \$250,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$2,100 – 3,000 | \$494k | \$112k* | | |
| Revised Pay As You Earn (REPAYE) | 22 | \$2,100 – 3,100 | \$555k | \$0 | | X |
| Income-Based (IBR) | 17 | \$3,100 – 3,300 | \$503k | \$0 | X | |

aamc.org/medloans

* Currently a taxable forgiveness.

Dr. ObGyn



Student Loan Debt: \$325,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$2,100 – 3,000 | \$494k | \$363k* | X | |
| Revised Pay As You Earn (REPAYE) | 25 | \$2,100 – 3,400 | \$686k | \$205k* | | |
| Income-Based (IBR) | 21 | \$3,100 – 4,300 | \$774k* | \$0 | | X |

aamc.org/medloans

* Currently a taxable forgiveness amount.



Dr. Cardiologist

Student Loan Debt: \$192,000

Career: Cardiology

Residency Length: 6 years

Debt: \$192,000

Post-Res. Y-1 Salary: \$300,000



Dr. Cardiologist



Student Loan Debt: \$192,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$2,500 | \$423k | \$0 | | X |
| Revised Pay As You Earn (REPAYE) | 15 | \$2,800 – 3,300 | \$349k | \$0 | X | |
| Income-Based (IBR) | 19 | \$2,500 | \$412k | \$0 | | |

aamc.org/medloans

* Currently a taxable forgiveness amount.

Dr. Cardiologist



Student Loan Debt: \$250,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$2,800 – 3,300 | \$547k | \$38k* | | |
| Revised Pay As You Earn (REPAYE) | 19 | \$2,800 – 3,700 | \$511k | \$0 | X | |
| Income-Based (IBR) | 20 | \$3,300 | \$570k | \$0 | | X |

aamc.org/medloans

* Currently a taxable forgiveness amount.

Dr. Cardiologist



Student Loan Debt: \$325,000

| Repayment Plan | Total Yrs | Post-Residency Payment (range) | Total Repayment Amount | Forgiven | Lowest Cost | Highest Cost |
|----------------------------------|-----------|--------------------------------|------------------------|----------|-------------|--------------|
| Pay As You Earn (PAYE) | 20 | \$2,800 – 3,800 | \$567k | \$276k* | X | |
| Revised Pay As You Earn (REPAYE) | 25 | \$2,800 – 4,300 | \$786k | \$0k | | X |
| Income-Based (IBR) | 20 | \$4,100 – 4,300 | \$755k | \$0 | | |

aamc.org/medloans

* Currently a taxable forgiveness amount.

The FIRST Stop

A tool for graduates!!

MedLoans[®] Organizer and Calculator



- Upload your NSLDS loan data
- Keep track of your student loan information
- Develop personalized repayment strategies

"Loans are less scary, and I've made a strategy to confront them. I'm also more confident that I can manage my debt during residency and beyond after using the MedLoans[®] Calculator."

Nathaniel Bayer,
2015 Graduate, URochester SOM

aamc.org/medloans

Other Considerations

Public Service Loan Forgiveness (PSLF)

Eligible Loans

- + Qualifying Payments**
- + Qualifying Work**

Public Service Loan Forgiveness

myfedloan.org

Checklist for Public Service Loan Forgiveness

ELIGIBLE LOANS Only the following loan types are eligible:

- Direct Loans (Subsidized and Unsubsidized)
- Direct PLUS and parent PLUS Loans
- Direct Consolidation Loans

* FFEL Stafford, Grad PLUS, Federal Consolidation, Perkins, LDS

** For more information, visit studentloans.gov.

NOTE: Defaulted loans, private loans, and any consolidation loan

QUALIFYING PAYMENTS While simultaneously you must make 120 on-time and scheduled payments. The following plans qualify:

- Income-Based Repayment (IBR)
- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)
- Income-Contingent Repayment (ICR)

* Payments do not have to be consecutive, allowing for change

QUALIFYING WORK You must be employed by a qualifying employer. For the work to be considered public service:

- Nonprofit tax-exempt 501(c)(3) organization (including many medical schools and residency programs)

- A branch of the military

* Full-time work is considered to be 30 hours per week or the number of hours your employer considers full-time



Public Service Loan Forgiveness (PSLF): Eligibility and Action Plan

If you decide to work in public service, you may be eligible for federal student loan forgiveness after 10 years of full-time work. The information below outlines the qualifying components of the PSLF program, and a timeline of action to enter PSLF is included on page 48.

Five steps to ensure eligibility for Public Service Loan Forgiveness

Step 1: Request a qualifying repayment plan for your eligible loans (re-request annually).

Step 4: Make 120 qualifying payments while completing eligible work.

Step 5: Upon completion of requirements, apply with FedLoan Servicing for the actual forgiveness.

aamc.org/first/pslfeligibility



[aamc.org/first/pslfebook](https://www.aamc.org/first/pslfebook)



Loan Forgiveness & Repay Assistance



National Institutes
of Health



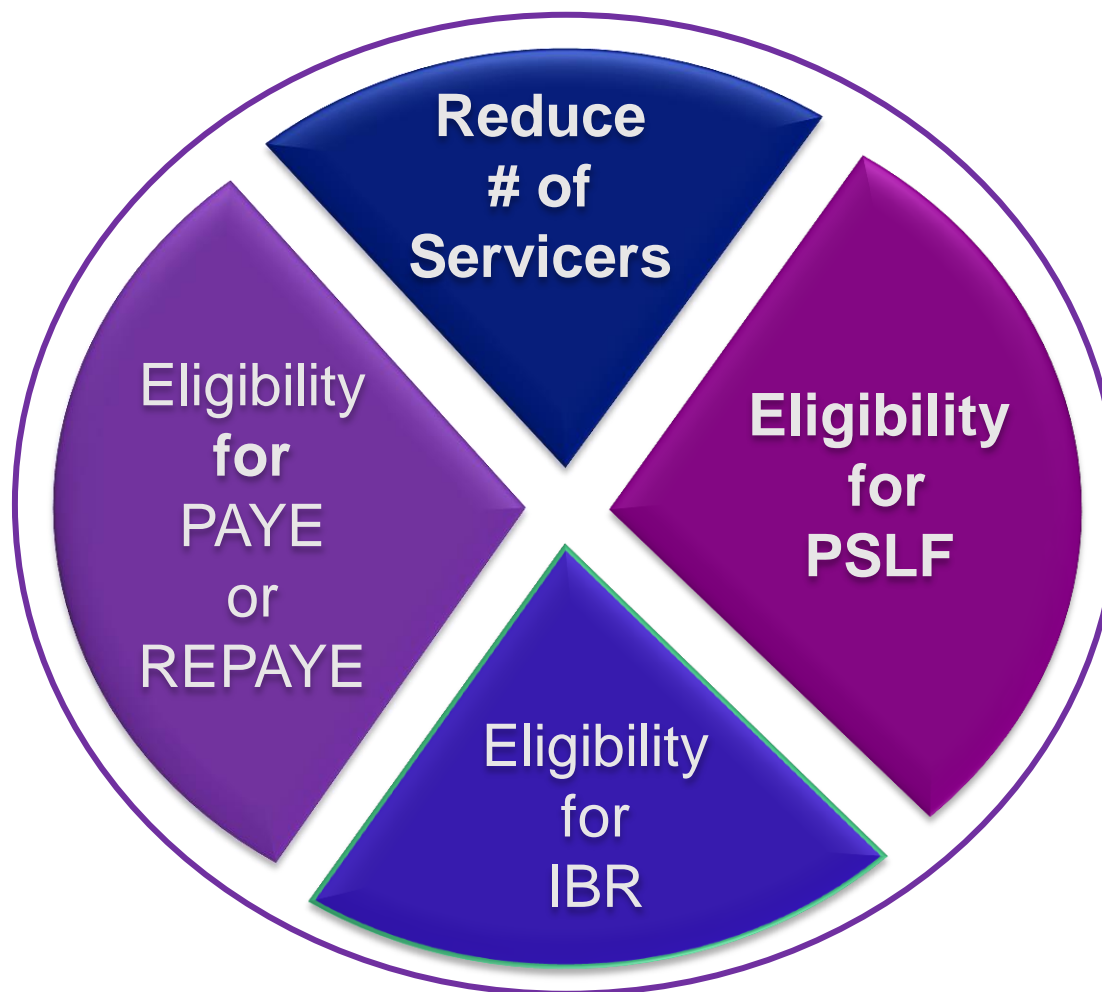
U.S. AIR FORCE



aamc.org/stloan
aamc.org/repayasst



Reasons to Consolidate



Should You Consolidate?

Should You Consider a Direct Consolidation Loan?

Are you wondering if consolidation is right for you? Answer these questions to find out.

1. Do you have multiple servicers for your federal student loans?

Yes

Yes, a consolidation with Direct Loans may offer you the much-needed benefit of simplification: one loan, one point of contact, and one payment. In fact, one of the top reasons medical residents consolidate is to simplify the management of their federal student loans during residency.

No

No, loan consolidation would not provide an obvious benefit in managing your loans.

2. Are you considering work in public service and Public Service Loan Forgiveness (PSLF)?

Yes

Yes, a Direct Consolidation Loan may be necessary to make some of your debt eligible for this forgiveness program. You would NOT need to include all your loans in the consolidation. Only the federal loans that do not already have the word "Direct" in their name would need to be consolidated—since these are ineligible for PSLF in their current form. For a list of all your federal student loans, visit risds.ed.gov. (Note: Consolidation erases all prior payments that qualified for PSLF.)

No

No, loan consolidation would not provide any obvious benefit based on your career goals.

Possibly

Possibly... see the advice for those who answered yes (to the left), and then strongly consider following it. This approach leaves your options open: in the future, you can choose between continuing on the path toward forgiveness under PSLF or leaving public service without penalty.

3. Would you benefit from a lower required monthly payment?

Yes

Yes, loan consolidation may benefit your monthly budget because it can dramatically reduce your required monthly payment. This is accomplished by stretching the term of the

No

No, loan consolidation would not provide an obvious benefit to your financial situation. By not consolidating, you avoid stretching out the term of the loan. Therefore,

without consolidating. By changing your selected repayment plan to an income-driven plan, you could qualify for an even lower monthly payment during residency—possibly making consolidation unnecessary. Discuss this option with your loan servicers.

Possibly... see the advice for those who answered yes (to the left), and then strongly consider following it. This approach gives you the flexibility to pay less when you need to and more when you can.

4. Do you have private student loans in addition to your federal student loans?

Yes

Yes, medical residents sometimes find it difficult to repay both private and federal loans—at least during residency. A helpful strategy may be to consolidate all federal loans, to obtain a single servicer (a benefit discussed in Question 1), and then to request a postponement of payment while in residency. Postponement is easily accomplished with a Mandatory Medical Residency Forbearance. Then, while payments on your federal loans are postponed, you can focus on the private debt and attempt to repay it in full, as soon as possible.

No

No, loan consolidation would not provide an obvious benefit in managing your loans.

5. Are you considering an income-driven repayment plan?

Yes

Yes, a Direct Consolidation may be needed to make some of your loans eligible for these repayment plans. Specifically, Perkins and LGS Loans are not eligible for income-driven repayment plans—so these loans would need to be consolidated to become eligible. Your federal student loans that do not have the word "Direct" in their name would need to be consolidated to gain eligibility for the PAYE/ REPAYE repayment plans. For questions about eligibility, call your servicers.

No

No, loan consolidation would not provide an obvious benefit in regard to your repayment plan options.

6. After graduating, do you want to start making required payments as soon as possible?

Yes

Yes, consolidating your federal student loans may allow borrowers to obtain loan forgiveness four to six months earlier because the sooner you start making required payments, the earlier you are possibly able to reach forgiveness.

No

aamc.org/first/consolidatequiz

Should I Refinance?

Private Consolidation (Refinancing)

There are companies willing to consolidate your federal student loans into a private consolidation. This process is also known as refinancing. There is a significant difference between a private consolidation loan and a federal consolidation loan. **If your federal loans are put into a private consolidation, you will lose all rights, terms, and conditions that are currently guaranteed to you (like student loan tax deductions, discharge in case of death or disability, and forbearance while in residency, to name a few).** Additionally, most of the repayment options discussed in these pages for federal loans are not an option for private loans.

For details on the repayment options for a private loan, you must contact the private loan lender.

Should I Refinance My Federal Loans?

Answer these questions to find out.

If you have excellent credit, you may be able to refinance your existing **federal student loans** into a private loan. Before doing that, it's important to understand the full impact of making this permanent change to your loans.

1. Will this new private loan have a variable interest rate?

Yes

Yes, if you refinance into a private loan with a low variable rate today, over time, the rate could rise higher than the current fixed rate on your federal loans. Variable rates are tied to an index causing the rate to rise or fall, which makes the total cost of variable rate debt impossible to calculate. Choosing variable rate loans involves taking some financial risk. Before committing to a variable rate loan, understand exactly how often the rate may change and how high it may rise. A variable rate loan could be a good option if you will fully repay the loan in the near future.

No

No, fixed rate loans offer stability to a borrower's repayment, making them a good option for borrowers who don't like risk. To make an accurate comparison of fixed rate private loans with other loans, be sure you know the terms, conditions, and fees (e.g., origination fees) of all the loans. **A fixed rate loan may be the best option if high levels of debt and long repayment terms are involved.**

2. Will you be working in public service? (This may include work during residency or a fellowship or while you are employed at an academic institution.)

Yes

Yes, after completing 10 years of public service work, as well as satisfying several other requirements, forgiveness may be granted on some or all of your remaining federal student loans. **Private loans are not eligible for Public Service Loan Forgiveness (PSLF). Only Direct Loans qualify for the PSLF program.**

No

No, based on your expected career path, forfeiting access to Public Service Loan Forgiveness is not a factor you need to consider when deciding whether to refinance.

Postponing payments an option during residency?

No

Possibly

No or not sure, repaying private student loans can be burdensome if you don't have access to the kind of flexible repayment and postponement options that federal student loans offer. So, know your current options in the federal program (such as income-driven repayment plans that limit the payment amounts and can lead to forgiveness or the ability to easily postpone payments during residency) and then question the private lender to see exactly how their terms and conditions compare. **In general, reputable lenders will warn you about the benefits you are giving up when refinancing federal student loans.**

Are you in your financial life?

If you are highly motivated to repay your student debt, have a secure job, exit from forgiveness options, and have a low fixed rate option available. However, if you do not meet these criteria, many financial advisors expose you to additional financial risk. Therefore, before you assume determine whether you could make it through if something unexpected will give you the ability to benefit from their flexible terms and conditions, possible loan forgiveness, potential interest subsidies, limits to monthly discharge, and possible student loan tax deductions. Be sure the potential financial risk that will be assumed.

Try differently, especially when it comes to repayment. You will gain because refinancing federal loans into a private

* benefits tied to them that can help you save time and money are incentives, such as reduced interest rates, reimbursement these benefits, you must perform a specific action like making automatically debited from your bank account. A common

aamc.org/first/shouldirefinance



Taxpayer Relief Act of 1997*

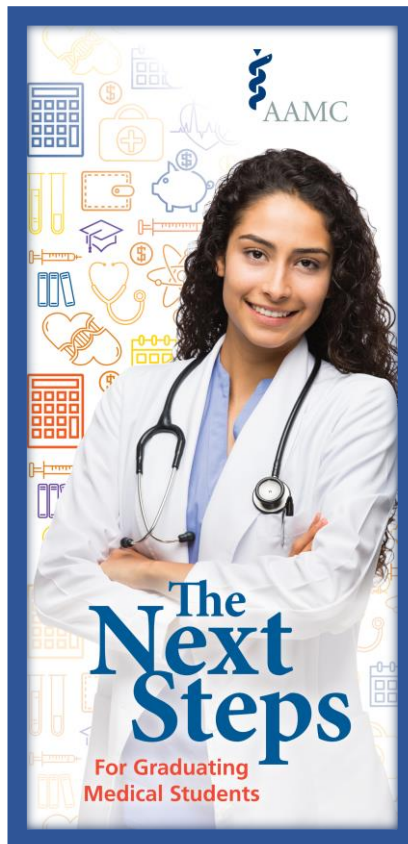
| | Full Deduction | Partial Deduction | NO Deduction |
|------------------------|-------------------|------------------------|-------------------|
| Single | \$65,000 or less | \$65,001 to \$79,999 | \$80,000 or more |
| Married filing Jointly | \$130,000 or less | \$130,001 to \$159,999 | \$160,000 or more |

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

May be eligible: Voluntary payments & capitalization

* Student Loan Interest Deduction for 1/2017

www.irs.gov/publications/p970



1 Organize Your Loans
Immediately

2 Manage Loans Without
a Grace Period
30 days before graduation

3 Consolidation Is an Option
Upon graduation

4 Complete the Employment
Certification Form (ECF)
When residency begins

5 Decide if You'll Pay
or Postpone Payments
Before the end of grace

6 Submit Annual
Recertification Paperwork
Before the end of the first year

aamc.org/nextsteps

Support Along The Way

feedback.studentaid.ed.gov

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

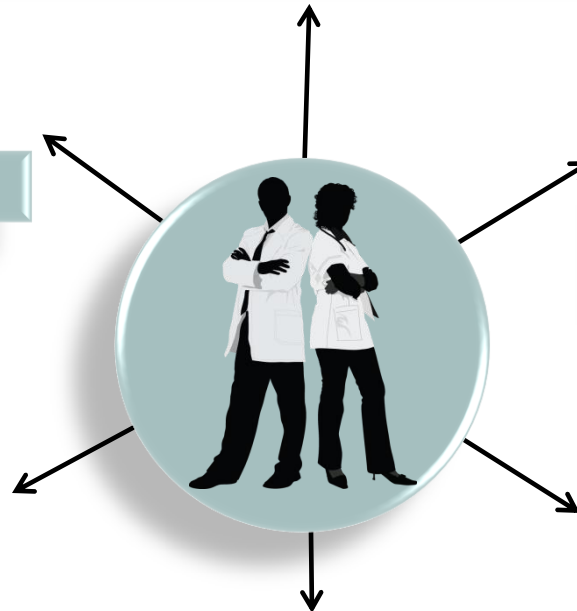
FIRST PROGRAM



aamc.org/advocacy/meded



Financial Aid Office &
Residency Programs

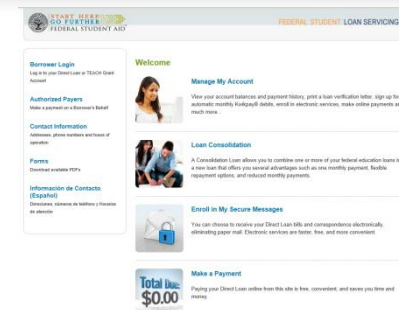


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MedLoans Organizer & Calculator
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