

ASDOH
SENIOR LOAN EXIT INTERVIEW
CLASS OF 2015

Repayment Strategies
for Managing Your Student Loans

Sponsored by ADEA
for 2015 Dental School Exit Interviews

CONSIDERATIONS

- Dental school graduates have great track record for repayment
- Multiple ways to effectively handle your student loan debt
- Constantly evaluate your repayment objectives and repayment plan, and change as needed
- Work closely with loan servicers

STEPS TO AN EFFECTIVE REPAYMENT STRATEGY

1. Know what you borrowed, who services your loans and when they come due
2. Determine repayment objectives and constantly reevaluate them
3. Select repayment plan to meet your repayment and career objectives
4. Use all available resources, including AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)

*Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

STUDENT LOAN PORTFOLIO

- Federal Direct Stafford*
 - Subsidized and unsubsidized
- Federal Direct PLUS*
- Campus-based (awarded by school)
 - Federal Perkins*
- Federal Consolidation Loans*
- Private Loans (including R & R loans)

*Referenced on NSLDS at www.NSLDS.ed.gov

FEDERAL DIRECT STAFFORD*

- Subsidized and unsubsidized
 - Direct and FFEL**
- Fixed interest rate
 - A. Up through June 30, 2013 – 6.8%
 - B. July 1, 2013 – June 30, 2014 – 5.41%
 - C. July 1, 2014 – June 30, 2015 – 6.21%
- Six-month grace period
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- Eligible for consolidation

*Referenced on NSLDS at www.NSLDS.ed.gov.

**Federal loans from private lenders

FEDERAL DIRECT PLUS*

- Unsubsidized
- Fixed interest rate
 - A. Up through June 30, 2013 – 7.9%
 - B. July 1, 2013 – June 30, 2014 – 6.41%
 - C. July 1, 2014 – June 30, 2015 – 7.21%
- Six-month post-enrollment deferment**
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- Eligible for consolidation

*Referenced on NSLDS at www.NSLDS.ed.gov. **Similar to six-month grace period.

FEDERAL PERKINS*

- Subsidized
- 5% fixed interest rate
- Nine-month grace period and six-month “post-deferment grace period”
- Deferment and forbearance options
- Standard 10-year repayment
 - Not eligible for income-driven repayment plans or Public Service Loan Forgiveness
- Eligible for consolidation

*Referenced on NSLDS at www.NSLDS.ed.gov

FEDERAL CONSOLIDATION*

- Subsidized and unsubsidized
- Weighted interest rate, rounded up one eighth of a percent and fixed for life of loan
- No grace period
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- See Consolidation Primer from ADEA

*Referenced on NSLDS at www.NSLDS.ed.gov

PRIVATE LOANS*

- Unsubsidized
- Variable or fixed interest rate
- Terms and conditions vary by lender
 - Check grace, deferment and forbearance options, plus repayment options, with lender
 - Not eligible for income-driven repayment or forgiveness
- Not eligible for federal consolidation
- See private loan questions document from ADEA

*Private loans are **not** referenced on NSLDS

MORE ON PRIVATE LOANS

- Can easily derail a repayment strategy
- Pay special attention to private loans from undergraduate and post-baccalaureate programs
 - Minimal repayment and postponement options, not eligible for forgiveness programs
- No national database
 - Check your records with lender, servicer or credit report for listing

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

- www.NSLDS.ed.gov
- Federal database of all Stafford, PLUS, Consolidation, Perkins
- Direct loans will be indicated
- FFEL loans are federal loans from private lenders (no longer allowed)*
- Information on loan servicer
 - Click number to left of each loan after logging into Financial Aid Summary

* No more new FFEL Loans as of 2010-11 year, so all your loans may be direct loans.

CURRENT INTEREST RATES*

- Stafford at 6.21% fixed
- PLUS at 7.21% fixed
- Campus-based
 - Perkins at 5% fixed
- Check disclosures for institutional and private loans (variable and fixed)

* New loans disbursed on or after July 1, 2014

REPAYMENT OF MEAN DEBT

\$302,065

- Standard (10 year)
 - \$4,041 per month
 - \$484,831 total repayment
- Extended (25 year)
 - \$2,430 per month
 - \$729,207 total payment

CAPITALIZATION OF INTEREST

- Process whereby accrued and unpaid interest is added back to loan principal
- Less frequent the better
- Usually occurs:
 - When loans enter repayment
 - When borrower has status change*
 - When borrower in IBR or PAYE no longer demonstrates PFH** or opts out of plan

*For example, deferment to forbearance

**Partial Financial Hardship

LOAN SERVICERS

- Organizations that lenders contract with to work with you in repayment
- See www.NSLDS.ed.gov for your servicer*
- Loan servicers required to notify you when they take over servicing of your loans
- Your federally-owned loans should all be serviced by one loan servicer
- See www.StudentLoans.gov for details**

*Click on the number to the left of each loan on the financial aid summary page

** See “Managing Repayment” for additional information on loan servicers.

WORKING WITH LOAN SERVICERS

- Document everything, and always note who you are speaking to when you call
- Take notes and ask if the customer service representative is doing the same*
- Speak with the supervisor if needed
- Know the correct terminology
- Confirm all actions they say they will take
- Confirm receipt of all submitted documents
- Keep contact information current

*This is extremely important if you have to call back about the same matter.

WHEN LOANS COME DUE

- Most Stafford and PLUS loans – six months after graduation
- Perkins loans – nine months after graduation
- Check terms on institutional and private loans
- You only get a grace period once per loan, so if used on loans prior to dental school, those should come due shortly after graduation

REPAYMENT OBJECTIVES

- Protect income, maximize cash flow
- Limit impact of interest accrual and capitalization
- Help through loan repayment and/or forgiveness programs
- Convenience and simplicity of repayment

REPAYMENT OPTIONS

- Loan servicers usually notify borrowers 30 to 90 days prior to loans coming due
 - Be sure all contact information is up-to-date, especially if you are doing a hospital-based residency program
- Options at repayment
 - 1) Select repayment plan and start actively repaying your student loans
 - 2) Postpone payments

REPAYMENT REMINDERS

- You should receive ample notice that your loans are coming due
- No penalty for aggressive repayment
- Payments are applied to interest before principal, but work with loan servicer
- Voluntary and additional payments may be targeted on most expensive loans
- Don't assume you need an income-driven repayment plan like IBR or PAYE

CURRENT REPAYMENT PLANS

- Standard 10 year (120 level payments)*
- Graduated 10 year (120 payments with scheduled increases at scheduled intervals)
- Extended 25 year (300 level payments)
- Income-driven repayment
 - Income Based Repayment (IBR)
 - Pay as You Earn (PAYE)
- Details at www.StudentLoans.gov

*Up to 30 years on Federal Consolidation Loans, depending on balance

STANDARD 10 YEAR

- 120 months, same payment
- 10 years for unconsolidated loans, up to 30 years for consolidation loans
- You get standard if you do not choose
- Possibly part of a strategy for graduate with steady income moving right into practice who can afford relatively high payments or someone with additional resources

Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

GRADUATED 10 YEAR

- 120 payments that start lower and increase in designated amounts at designated intervals, usually every 24 months
- Total repayment higher if held to term and payments not accelerated
- Possibly part of strategy for graduate with steady income moving right into practice who could otherwise afford standard but has other short term financial obligations

Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

EXTENDED 25 YEAR

- 300 months, same payment each month for 25 years
- Total repayment much higher if held to term and payments not accelerated
- Possibly part of strategy for graduate with high debt who needs a lower payment or perhaps needs to show a lower DTI ratio when applying for a mortgage or other financing

Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

INCOME-DRIVEN PLANS*

- Designed for highly indebted borrowers with low to moderate incomes who cannot afford repayment under other plans, especially standard 10 year
- Possibly part of repayment strategy for graduate entering residency who wants to make payments, for borrower trying to qualify for PSLF* or for borrower entering practice with extremely high debt

Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

INCOME-DRIVEN PLANS*

- Income Based Repayment (IBR)
 - 15% of discretionary income
- Pay As You Earn (PAYE)
 - 10% of discretionary income
 - Lowest payments are under PAYE
- Income Contingent Repayment (ICR)
 - Older plan, almost always resulting in higher payments when compared with IBR and PAYE

Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

IBR AND PAYE

- Designed for highly indebted borrowers with low to moderate incomes who cannot afford repayment under other plans, especially standard 10 year
- Must apply annually and demonstrate eligibility (called “Partial Financial Hardship”)*
- Expect payment to change each year

Use calculators at www.StudentLoans.gov to estimate eligibility and payment amount

IBR AND PAYE – PROS AND CONS

- Advantages
 - More manageable payments
 - May help you qualify for forgiveness
 - May help build credit*
- Disadvantages
 - Initial payments may not cover interest if debt really high, especially during residency
 - Must renew annually
 - Married borrowers may feel a pinch

* Approximately 35% of credit score comes from timely payments, including those on student loans

MARRIED BORROWERS AND IDR*

- Spousal income used in determination of both eligibility and subsequent payment amounts under both IBR and PAYE when joint tax return filed
- Spousal income not counted if married and filing separately, unless living in a “community property” state**
- Use repayment estimator at www.StudentLoans.gov to see impact

*Income-driven repayment plans (IBR and PAYE) **One half spousal income counted

OPTIONS POST “PFH”*

- Borrower stays in IBR or PAYE, but payments automatically revert to standard 10 year amount*
- Options at that point include
 - Pay standard until balance paid
 - Pay standard until balance forgiven
 - Opt out of IBR or PAYE and into another repayment plan like extended**

* What you would have paid had you entered standard 10 year when you first applied for IBR or PAYE

** Public Service Loan Forgiveness “off the table” at this point, as extended payments do not qualify

IBR VERSUS PAYE

IBR

- July 2009
- Direct and FFEL
- 15% of discretionary income
- 25 year forgiveness
- No limit to capitalization
- Renew annually

PAYE

- December 2012
- Direct loans only
- 10% of discretionary income
- 20 year forgiveness
- Capitalization limit
- Renew annually
- Trigger date of October 1, 2007

POSTPONEMENT OPTIONS

- Deferment*
 - School-based advanced dental education program
 - Graduate fellowship
- Forbearance*
 - Mandatory internship residency forbearance for hospital-based residents who receive stipend
 - Other options, work with loan servicer
- Details at www.StudentLoans.gov under Managing Repayment

* Credit protected, as borrower considered in “good standing”

FORGIVENESS PROGRAMS

- Income Based Repayment (IBR) after 25 years*
- Pay As You Earn (PAYE) after 20 years*
- Public Service Loan Forgiveness (PSLF)*
 - Borrower must make 120 eligible payments on direct loans while working for eligible employer
- Details at www.StudentLoans.gov
- Estimate forgiveness amounts with AAMC/ADEA Dental Loan Organizer and Calculator

* Forgiveness amount taxable under current law for IBR and PAYE, not for PSLF

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- Forgiveness program designed to encourage borrowers to enter and remain in public service for at least 10 years
- Provides forgiveness of eligible student loan balance for borrowers who meet certain eligibility requirements
- Part of 2007 College Cost Reduction and Access Act

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- You do not apply now
- You take steps to start qualifying by
 - Making 120 timely, scheduled, eligible payments (like IBR or PAYE)...
 - On eligible loans (only direct loans qualify)...
 - While working FT (at least 30 hours) for eligible public service employer
- See www.StudentLoans.gov under Managing Repayment for details

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- You can maximize potential PSLF by making minimum payments under IBR or PAYE and not overpaying
- However, important to reevaluate your repayment strategy each year, as balance may initially grow with low payments, especially in residency
- Should career track not be consistent with public service, consider changing strategy

FORGIVENESS ESTIMATES

AT \$247,227**

- Directly into practice at \$165,000 salary
 - With Income Based Repayment (IBR)
 - \$0 forgiveness under 25-year IBR
 - \$210,656 forgiveness under Public Service Loan Forgiveness
 - With Pay As You Earn (PAYE)
 - \$270,676 forgiveness under 20-year PAYE
 - \$312,660 forgiveness under Public Service Loan Forgiveness

*\$247,227 debt with same assumptions as those in repayment slide; no additional payments made; PSLF forgiveness assumes borrower meets all PSLF requirements

FORGIVENESS ESTIMATES AT \$247,227*

- One year GPR at \$48,147 stipend, then into practice at \$165,000 salary
 - With Income Based Repayment (IBR)
 - \$0 forgiveness under 25-year IBR
 - \$219,733 forgiveness under Public Service Loan Forgiveness
 - With Pay As You Earn (PAYE)
 - \$282,897 forgiveness under 20-year PAYE
 - \$317,752 forgiveness under Public Service Loan Forgiveness

*\$247,227 debt with same assumptions as those in repayment slide; no additional payments made; PSLF forgiveness assumes borrower meets all PSLF requirements

LONG-TERM VIABILITY OF PSLF

- No guarantees on availability
- Current proposal to cap forgiveness amount at \$57,500
- Changes to loan programs tend to be prospective for “new” borrowers, but there is no guarantee changes would not impact current borrowers

TRACKING PSLF ELIGIBILITY

- FedLoan Servicing only designated loan servicer to help borrowers verify employer qualifies and to track payments
- Employment Certification Form (ECF) may be submitted to FedLoan Servicing
- FedLoan Servicing will
 - Notify borrowers of employment eligibility
 - Take over servicing of loans and track payments, assuming employment qualifies

LOAN REPAYMENT PROGRAMS

- Help repaying loans in exchange for service commitment
- National Health Service Corps (NHSC), Indian Health Service (IHS), National Institutes of Health (NIH), armed forces, some states
- See Chapter 4 of *ADEA Official Guide to Dental Schools* for listing
- Consider tax implications

CONSOLIDATION

- Paying off multiple loans with one new loan
- Loans you consolidate are gone
- Advantages and disadvantages
- Direct Consolidation Loan program only option to consolidate federal loans
- May not be needed for many Class of 2015 dental school graduates

ADVANTAGES AND DISADVANTAGES

- Advantages
 - Convenience of one loan servicer
 - Converts non-direct loans into direct loans*
 - May extend repayment term to 30 years
- Disadvantages
 - Partially negates aggressive repayment
 - Slightly higher rate
 - Loss of grace period if consolidate too early
 - Loss of subsidy on Perkins, HPSL, LDS

* Only direct loans are eligible for Public Service Loan Forgiveness
(helps borrowers maximize PSLF)

SHOULD YOU CONSOLIDATE?

- You may be a candidate if:
 - You have multiple loan servicers
 - You have some non-direct loans and you want to maximize forgiveness with PSLF
- You may not be a candidate if:
 - You already have one loan servicer
 - You are not interested in PSLF or you are, but all your loans are direct loans

SAMPLE REPAYMENT STRATEGIES

- Use standard 10-year or extended 25-year and accelerate payments
- Use IBR or PAYE and accelerate payments
- Use IBR or PAYE, with goal of forgiveness
 - Consider not overpaying while maximizing forgiveness as part of repayment strategy
- Consider service commitment program

RESOURCES

- Your school's Financial Aid Office
- www.ADEA.org
 - Primers on repayment, loan servicing, and consolidation
- www.AAMC.org/GoDental
 - AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
- www.StudentLoans.gov
- www.NSLDS.ed.gov
- www.irs.gov/publications/p970

AAMC/ADEA DENTAL LOAN ORGANIZER AND CALCULATOR

- Joint effort with Association of American Medical Colleges (AAMC)
- www.AAMC.org/GoDental
- Easy to use debt management tool
 - Download NSLDS record into AAMC/ADEA DLOC
 - Estimate repayment under different plans
 - Estimate forgiveness amounts under 25-year IBR, 20-year PAYE, Public Service Loan Forgiveness
 - Customize based on your salary and career

OMBUDSMAN OFFICE

- United States Department of Education
Federal Student Aid
- www.ombudsman.ed.gov
- 877.557.2575

BORROWER RIGHTS

- Written explanation of loan obligations
- Explanation of default and consequences
- Copy of MPN and return when paid in full
- Disclosure prior to repayment
- Be notified when your loan is sold
- Federal subsidy, if eligible
- Forgiveness and discharge, if eligible
- May request forbearance, if needed
- Prepay without penalty

BORROWER RESPONSIBILITIES

- Attend senior loan exit interview before you graduate
- Repay loan according to schedule
- Notify loan servicer regarding:
 - Anything impacting ability to repay
 - Change in status, including graduation date
 - Change in name and contact information
 - Change in enrollment

YOUR ACTION ITEMS

- Do inventory and student loan portfolio
- Determine repayment objectives
- Run repayment estimates under different repayment plans, including standard 10 year
- Open and read mail in timely manner
- Keep contact information current with loan servicers

QUESTIONS?

AMERICAN DENTAL EDUCATION ASSOCIATION

CONGRATULATIONS

**Best Wishes from the
American Dental Education Association
(ADEA)**

and

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