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SUMMARY AND TO-DO LIST

- Self assessment (career plans and repayment objectives)
- Loan inventory and decision points
- Choose options that work for you
- Keep in touch with loan servicers and keep contact information current
- Maintain high standard of repayment for medical school alumni
YOUR PORTFOLIO

- Federal Stafford*
- Federal Grad PLUS*
- Federal Perkins*
- Federal Consolidation*
- Primary Care Loan
- Loans for Disadvantaged Students
- Institutional
- Private

* Reported on NSLDS at [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
FFELP AND DIRECT LOANS

- Federal Family Education Loan Program (FFELP)
  - Federal loans from private lenders (these are not private loans) – last available in 09/10 year
  - Many sold to ED

- Federal Direct Loans
  - Federal loans “directly” from federal government
  - Only Direct Loans for past 5 years
FEDERAL STAFFORD LOANS

- Subsidized (interest-free until repayment) and unsubsidized (interest accrues upon disbursement)
- 6.8% fixed interest rate from 10/11 thru 12/13 year
- 5.41% fixed interest rate for 13/14 year
- 6.21% fixed interest rate for 14/15 year
- 6 month Grace period
- Deferment and Forbearance options
- Multiple repayment options
- Eligible for consolidation
FEDERAL GRAD PLUS

- Unsubsidized
- 7.9% fixed interest rate from 10/11 through 12/13 year
- 6.41% fixed interest rate for 13/14 year
- 7.21% fixed interest rate for 14/15 year
- No Grace period, but...........
- 6 Month “Post Enrollment Deferment” if disbursed on or after July 1, 2008
- Deferment and Forbearance options
- Multiple repayment options
- Eligible for consolidation

* Direct Grad PLUS and FFELP Grad PLUS respectively
FEDERAL PERKINS LOANS

- Subsidized
- 5% fixed interest rate
- 9 month Grace period*
- Deferment and Forbearance options
- 10 year Standard level repayment
- Eligible for consolidation

* 6 month Post Deferment Grace also available
GRACE PERIODS

- Period of time when you are not required to pay your loans
- Grace periods are “loan specific”
  - Length depends on loan
  - Once used, do not get again
- Grace periods begin at graduation or when borrowers drop below half-time enrollment status unless already used
TWO BASIC REPAYMENT OPTIONS

- Option 1: Postpone payments
  - Deferment unlikely
  - Forbearance always an option on Stafford, Grad PLUS, Federal Consolidation

- Option 2: Start actively repaying loans
  - Multiple options
  - IBR (Income Based Repayment), ICR (Income Contingent Repayment) or PAYE (Pay As You Earn) may be the only affordable choices
POSTPONING PAYMENTS

- Deferment
  - Preferable, but hard to qualify for in residency
  - Graduate Fellowship Deferment
  - Borrower remains in “Good Standing”

- Forbearance
  - Some disadvantages, but borrower remains in “Good Standing”
  - Internship Residency Forbearance
“ACTIVE” REPAYMENT OPTIONS

- Standard (Level)
- Extended
- Graduated
- Income “related”
  - Income Sensitive
  - Income Contingent
  - Income Based
  - Pay As You Earn
STANDARD (LEVEL)

- Same payment each month
- 10 years for unconsolidated loans
- Up to 30 years for consolidation loans
- You get Standard Repayment if you do not choose another option
WHO MIGHT USE STANDARD?

- Possible option for medical resident with relatively low debt and/or additional resources to help with payments
- Some might consider this an aggressive repayment strategy, at least as compared with other plans
Payments spread out for extended period, up to 25-30 years
Graduated version may be available
Lower payments over extended time may result in much higher overall costs, if kept to term
WHO MIGHT USE EXTENDED?

- Possibly part of repayment strategy for medical school graduate with relatively high debt and low income or graduate who needs to show a lower debt-to-income (DTI) ratio when applying for a mortgage or other financing or someone hesitant to commit to Standard
- Could be part of an aggressive repayment strategy should someone actually make payments as calculated under Standard
REPAYMENT OF MEAN DEBT - $217,010

- **Standard (10 year)**
  - $2,869 per month
  - $344,311 total repayment

- **Extended (25 year)**
  - $1,709 per month
  - $512,724 total repayment
GRADUATED

- Payments start lower and increase by designated amounts at designated times
- Usually 10 years, some Loan Servicers allow interest-only payments
- Initial lower payments result in higher overall costs if kept to term
WHO MIGHT USE GRADUATED?

- Possible option for medical resident with relatively low debt and/or additional resources but who has other short term financial or other obligations
INCOME “RELATED”

- Payments tied to income
- Payments subject to change each year
- Multiple types
  - Income Sensitive, Income Contingent, Income Based, Pay As You Earn (PAYE)
- PAYE usually results in lowest monthly payment, but everyone should be eligible for Income Based Repayment (IBR)
- Possibly part of strategy for medical school graduate with low starting income in residency
INCOME BASED REPAYMENT (IBR)

- Designed for highly indebted borrowers with low to moderate incomes
- Stafford, Grad PLUS, Consolidation
- Both FFELP and DL
- You do not have to consolidate to repay under IBR
- IBR is nothing more and nothing less than a relatively new repayment plan
Income Based Repayment (IBR)

- Became available when eligibility rules changed for Economic Hardship Deferment (July 1, 2009)
- Option for borrowers who do not want to postpone payments through Forbearance
- Designed for highly indebted borrowers with low to moderate incomes
- Available for borrowers who demonstrate “Partial Financial Hardship”
- Go to www.IBRinfo.org to estimate eligibility and subsequent payments
TWO STEPS TO IBR

- Borrower must first demonstrate “Partial Financial Hardship” (PFH)
  - Eligible educational loans included in this part of the calculation
- Assuming PFH, then actual IBR monthly payment determined
  - Student loan debt is not part of this equation
  - Amount of debt will impact subsequent payments when borrower no longer shows PFH
PARTIAL FINANCIAL HARDSHIP

PFH occurs when the annual amount due on borrower’s eligible federal loans (as determined under Standard 10 year plan) at the time they entered repayment exceeds 10% of difference between their AGI and 150% of poverty level for their family size.*

*Baseline debt change effective July 1, 2010 (see www.IBRinfo.org)
IBR: HOW IT WORKS

- Caps monthly payments at 15% of discretionary income
- Borrower signs IRS release form and submits ADOI*
- Servicer determines PFH status
- Assuming PFH, servicer determines monthly payment

* Alternative Documentation of Income (if requested)
PAY AS YOU EARN (PAYE)

- PAYE is a new repayment plan, effective December 21, 2012
- Only Direct Loans eligible, not FFEL Program loans which you received before 2010/11 year
- You will need to consolidate your FFEL (loans) first so you have Direct Consolidation Loans
- Then, you can request PAYE Repayment Plan
PARTIAL FINANCIAL HARDSHIP (PAYE)

- PFH occurs when the monthly payment amount on a Standard 10-Year Repayment Plan is higher than the monthly amount you repay under Pay As You Earn (PAYE)
- While on partial financial hardship, interest that accrues greater than your payments will not be capitalized
- After borrower no longer on partial financial hardship, total amount of interest that capitalizes under PAYE is limited to 10% of your original balance when you begin paying
PAY AS YOU EARN (PAYE)

- Caps monthly payments at 10% of discretionary income
- Borrower signs IRS release form and submits ADOI*
- Servicer determines PFH status
- Assuming PFH, servicer determines monthly payment
PAY AS YOU EARN (PAYE)

- You must be a new borrower as of October 1, 2007 and must have received a Direct Loan on or after October 1, 2011
- Balance forgiven after 20 years of repayment, but this forgiven amount is taxable
- If you work for a non-profit hospital or agency for 10 years, balance is forgiven and is NOT taxable.
ADVANTAGES TO IBR & PAYE

- More manageable payments, possible affordable alternative to Forbearance
- May help build credit
- Qualify once, and subsequent payments never higher than payments under Standard*
- Considered eligible payment for PSLF

*At time borrower would have initially entered repayment
DISADVANTAGES TO IBR & PAYE

- May hardly make a dent in balance so you may pay more interest
- Can be complicated
- Borrower submits annual documentation
- Borrower must apply with each Loan Servicer(s), unless you consolidate*
- Residents may see inconsistency in treatment of income for determination of monthly payments

*Total IBR & PAYE payment is prorated among servicers
MARRIED BORROWERS AND IBR & PAYE

- Spouse not counted if separate returns
- Married filing joint return
  - Spousal income included
  - Eligible spousal educational debt included in PFH determination and subsequent IBR payment assuming borrower is eligible
  - IBR/PAYE payment calculation reflects total payment, borrower’s amount is prorated
OPTIONS AFTER PFH*

- Monthly payments revert to what borrower would have paid under Standard had they started in Standard when loans initially came due
- Term will extend beyond 10 years (which includes time paying under IBR or PAYE)
- Term may be extended several years, depending on balance

*When borrower no longer qualifies to make IBR payments
Paying off or “refinancing” multiple loans with one new loan
Not the same as “Combined” billing
Underlying loans go away
Direct Consolidation Loan program only option for consolidating eligible federal loans
CONSOLIDATION PROS AND CONS

Potential advantages

- Convenience and simplicity
- Converts FFELP loans into Direct Loans for purpose of potentially qualifying for Public Service Loan Forgiveness
- Extends repayment 5 years
CONSOLIDATION PROS AND CONS

Potential disadvantages

- Partially negates aggressive repayment
- Cumbersome and time consuming
- Higher rate
- Lose Grace period(s) if consolidate too early
- Lose 6 Month Post-Enrollment Deferment on eligible Grad PLUS Loans if consolidate too early
CONSOLIDATING PERKINS LOANS

- Consider carefully
  - Pros and cons
  - Impact on budget in spring after Graduation
- Lose remaining Grace period
- Can add later, but tracking for PSLF likely to lag 3 months behind
- Turns into unsubsidized loan
CAPITALIZATION

- Process whereby accrued and unpaid interest is added back to principal
- In general, occurs
  - At repayment
  - At “status” change
  - For borrowers in IBR and PAYE, when PFH no longer demonstrated and when borrower opts out of IBR plan
LOAN FORGIVENESS PROGRAMS

- Federal programs
  - Teacher Forgiveness after 5 years
  - Loan Forgiveness after 25 years
  - Public Service Loan Forgiveness (PSLF)
- Public Service Loan Forgiveness*
  - Designed to help borrowers with high debt who do public service work
  - Forgives remaining balance on eligible loans after 10 years of eligible loan payments and eligible employment

*See www.IBRinfo.org FAQ section for more information on PSLF
PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- Designed to help highly indebted borrowers who do public service work
- Has nothing to do with osteopathic medical school graduates and their specialty
- Forgives remaining balance on eligible loans after 120 eligible payments assuming borrower worked in eligible position while making payments
PSLF ELIGIBILITY

- The right kind of loans
  - Only Direct Loans qualify
- The right kind of payments
  - Combination of IBR, ICR, PAYE, and Standard that results in remaining balance after 120 payments
- The right kind of job
  - Local, tribe, state, or federal government
  - Non-profits, including some teaching hospitals
WHAT WE KNOW ABOUT PSLF

- Standard repayment is “marker” or foundation plan for PSLF
- Throws “Finance 101” on its ear – New Paradigm
  - How to handle borrowers who want to make additional payments over and above IBR
- Considered an entitlement program
- Current “chatter” about modifying program
Large potential $$ cancellation with IBR or PAYE, for example:

- Years 1-5 Payments at $250/month
- Years 6-10 Payments at $2,869/month
- Interest accrues at about $1,400/month or about $16,800/year
- Cancellation in excess of $200,000!!
Information available at www.studentaid.ed.gov/publicservice
New Employment Certification form available to help track employment
FedLoan Servicing designated loan servicer for PSLF program
REPAYMENT REMINDERS

- Notification prior to loans coming due
- No penalty for aggressive repayment
- Payments to interest before principal
- You remain in “Good Standing” during periods of Deferment and Forbearance
- Voluntary and additional payments may be targeted on most expensive loan
TIPS FOR BORROWERS

- Have NSLDS (National Student Loan Data System) record handy
- Designate uninterrupted time
- Compare timeline of consolidation process with budgeting implications
- Carefully consider which loans to include
- Document when you do what with app
- Call for processing updates
- Watch mail for Summary Statement
LOAN SERVICER

- Organization lender contracted to work with you in repayment
- Listed on NSLDS for Stafford, Grad PLUS, Federal Consolidation, Perkins
- Loan servicers required to notify you if they are servicing your loans
- Multiple loans servicers results in a “Split Portfolio” or “Split Servicing”
WORKING WITH LOAN SERVICERS

- Always document calls and correspondence
- Confirm receipt of applications and related documents
- Ask about anecdotal comments on file
- Speak with supervisor if needed
- Semantics are important
- Confirm all actions referenced by servicer
- Open and read your mail
- Have NSLDS record handy if possible
RESOURCES

OMBUDSMAN OFFICE United States Department of Education Federal Student Aid www.ombudsman.ed.gov 877.557.2575
RESOURCES

- School’s Financial Aid Office @ financialaid@atsu.edu
- Federal Student Aid Website
  - www.studentaid.ed.gov
- Loan servicer Website
  - www.NSLDS.ed.gov
  - Information on Stafford, Grad PLUS, Federal Consolidation, and Perkins Loans
- www.IBRinfo.org
  - Information on Income Based Repayment and Pay As You Earn, including calculator and important links
RESOURCES

- [www.studentaid.ed.gov/publicservice](http://www.studentaid.ed.gov/publicservice)
  - Information on Public Service Loan Forgiveness program and Employment Certification form

  - Tax benefits for education, including information on Student Loan Interest Deduction

- [www.myfedloan.org/PSLF](http://www.myfedloan.org/PSLF)
  - Servicer for all borrowers doing public service loan forgiveness
QUESTIONS & COMMENTS

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