Student Loans and Debt Management

Exit Interview

Presenter’s name
Presenter’s title
Spring 2013

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2013 and are subject to change. These are estimates only. Students should always contact their servicer(s) to discuss exact loan balances and repayment options.
Class of 2012 Indebtedness

Refer to page 1

<table>
<thead>
<tr>
<th></th>
<th>Public Schools</th>
<th>Private Schools</th>
<th>All Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>$155,978</td>
<td>$183,066</td>
<td>$166,750</td>
</tr>
<tr>
<td>Median</td>
<td>$160,000</td>
<td>$190,000</td>
<td>$170,000</td>
</tr>
</tbody>
</table>

86% of class report having educational debt

62% of class report debt $150,000 or higher

Source: FIRST analysis of AAMC 2012 GQ data. Education debt figures include premedical debt.
“An investment in knowledge always pays the best interest”

- Benjamin Franklin
Agenda

Know Your Loan Portfolio
How to Postpone Payments
Repayment Plans
Options During Residency
Other Considerations
Know Your Loan Portfolio
Master Promissory Note

A contract with the lender

Has a multi-loan feature

Details Terms and Conditions

Rights and Responsibilities
Rights and Responsibilities

Rights include the ability to:

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

- Make on time loan payments
- Make payments despite receipt of bill
- Notify the servicer of changes in contact info
- Attend an Exit Counseling session
- 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
Discharge may be available in cases of:

- Bankruptcy (rarely)
- Death or total/permanent disability
- Identity theft
- Certain public school service professions
- Closed school/false certification
- Refund error

Review your promissory note for all terms.
Finding Your Federal Loans

To access, provide:

SSN
Date of Birth
First 2 letters of last name
FAFSA PIN (www.pin.ed.gov)

www.nslds.ed.gov
Finding Federal Servicers

Refer to page 4

Contact FSA at:
1-800-433-7327
Or email:
fsa.customer.support@ed.gov

www.studentaid.ed.gov
## Interest Rates

Refer to page 12

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>In-school, Grace and Deferment</th>
<th>Forbearance and Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stafford Loans (disbursed on or after 7/1/06)</td>
<td>6.8% Fixed</td>
<td>6.8% Fixed</td>
</tr>
<tr>
<td>Stafford Loans* (disbursed between 7/1/98 and 6/30/06)</td>
<td>1.79% Variable</td>
<td>2.39% Variable</td>
</tr>
<tr>
<td>Grad PLUS Loans</td>
<td>8.5% Fixed</td>
<td>8.5% Fixed</td>
</tr>
<tr>
<td>Direct PLUS Loans</td>
<td>7.9% Fixed</td>
<td>7.9% Fixed</td>
</tr>
<tr>
<td>Perkins Loans / PCL / LDS</td>
<td>5.0% Fixed</td>
<td>5.0% Fixed</td>
</tr>
<tr>
<td>Private Loans**</td>
<td>Typically Variable – Check the Promissory Note</td>
<td></td>
</tr>
<tr>
<td>Institutional Loans</td>
<td>Varies by Loan – Check the Promissory Note</td>
<td></td>
</tr>
<tr>
<td>Consolidation Loans</td>
<td>Fixed rate based on weighted average interest rate of underlying loans rounded up to the nearest one-eighth of a percent (capped at 8.25%)</td>
<td></td>
</tr>
</tbody>
</table>

* Variable rates change every July 1 based on the 91-day treasury bill

** Private (or alternative loans) may carry a rate higher than federal student loans.
Repayment Strategy

Prioritize repayment efforts – pay the most expensive debt FIRST!
Capitalization

Addition of unpaid interest to the principal

$170,000 + $25,100 = $195,100

Principal + Interest = Larger Principal
Repayment Strategy

Pay the interest on unsubsidized loans PRIOR to capitalization
## Loan Repayment Timeline

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

A period when payments are not required
Must apply and qualify
Interest does not accrue on subsidized loans
Unsubsidized loans continue to accrue interest

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

A period when payments are not required

Must **request** from the servicer

Interest accrues on sub and unsub loans

Many types (administrative, discretionary, mandatory)

**NOTE:** For more details on forbearance or to request a forbearance period, contact your servicer(s).
Mandatory Medical Residency/Internship

Use to postpone payments

Interest accumulates on sub and unsub loans

Request annually from servicer

Continuous periods may avoid capitalization*

*Check your servicer’s capitalization policy
Repayment Plans
Repayment Plans

Determines the payment amount & interest cost

- Standard: $2,250/mo
- Extended: $1,350/mo
- Graduated: $1,100/mo
- Income-Contingent Repayment (ICR): $640/mo
- Income-Based Repayment (IBR): $410/mo
- Pay As You Earn: $270/mo

Based on an original principal balance of $170,000, entering repayment after four-years of medical school, and six-months of grace. Rounded to the nearest tenth.
Repayment Plans

Refer to page 18

Standard/Level

Equal monthly payments
Higher monthly payments
Lower total cost

Extended

Repayment term of 25 years
Lower monthly payment
Likely the most expensive option
Repayment Plans

Payments start low
Begin to increase after 2-years
Possible higher total cost

Lower initial payments (tied to income)
Possible higher total cost
**Repayment Plans**

Refer to pgs 20-21

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**Income-Based Repayment**

Lower monthly payment
Qualifies for PSLF
Possible higher total cost

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**Pay As You Earn (PAYE)**

Likely the lowest monthly payment *(if qualify)*
Qualifies for PSLF
Possible higher total cost
## Effects of each Repayment Plan on Total Cost

<table>
<thead>
<tr>
<th>Repayment Plan after Residency</th>
<th>Repayment Years after Residency</th>
<th>Estimated Monthly Payment after Residency</th>
<th>Interest Cost</th>
<th>Total Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monthly Payment During Residency</strong></td>
<td><strong>Standard</strong></td>
<td>10</td>
<td>$2,800</td>
<td>$165,000</td>
</tr>
<tr>
<td><strong>Extended</strong></td>
<td>25</td>
<td>$1,700</td>
<td>$335,000</td>
<td>$505,000</td>
</tr>
<tr>
<td><strong>Graduated</strong></td>
<td>10</td>
<td>$1,400 for 2-years then $3,300 for 8-years</td>
<td>$178,000</td>
<td>$348,000</td>
</tr>
<tr>
<td><strong>Income-Contingent Repayment (ICR)</strong></td>
<td>7.5</td>
<td>$3,200 to $3,700 over 7.5-years</td>
<td>$142,000</td>
<td>$312,000</td>
</tr>
<tr>
<td><strong>Income-Sensitive Repayment (ISR)</strong></td>
<td>10</td>
<td>$1,400 for 1-year then $3,000 for 9-years</td>
<td>$172,000</td>
<td>$342,000</td>
</tr>
<tr>
<td><strong>Income-Based Repayment (IBR)</strong></td>
<td>11.3</td>
<td>$2,400 to $2,800 over 11.3-years</td>
<td>$182,000</td>
<td>$352,000</td>
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<tr>
<td><strong>Pay As You Earn</strong></td>
<td>19.2</td>
<td>$1,600 to $2,600 over 19.2-years</td>
<td>$289,000</td>
<td>$459,000</td>
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</tbody>
</table>
Debt Fact

The lower the monthly payment... the higher the interest cost
# Repayment Plans

Refer to pgs 24-25

## Estimated Monthly Payment Amounts

### Stafford Loans with 6.8% Annual Interest Rate and a $200,000 Starting Salary After a 4-Year Residency

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Balance at Repayment</th>
<th>10-Year Repayment Term</th>
<th>Years 1-4 (Interest Only)</th>
<th>Years 5-10</th>
<th>25-Year Repayment Term</th>
<th>$650 to $820 per month</th>
<th>Income-Contingent Repayment (ICR)</th>
<th>Years 1-4 Payment and Years Based on Balance at Start of ICR</th>
<th>Income-Based Repayment (IBR)</th>
<th>Years 1-4 Payment and Years Based on Balance at Start of IBR</th>
<th>Pay As You Earn</th>
<th>Years 1-4 Payment and Years Based on Balance at Start of IBR</th>
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</thead>
<tbody>
<tr>
<td>$70,000</td>
<td>$77,151</td>
<td>$888</td>
<td>$437</td>
<td>$1,308</td>
<td>$535</td>
<td>$1,178 for 5.3 yrs.</td>
<td>$888 for 9.7 yrs.</td>
<td>$888 for 10.8 yrs.</td>
<td>$1,024 for 11.2 yrs.</td>
<td>$1,159 for 10.5 yrs.</td>
<td>$781</td>
<td>$1,295 for 11.8 yrs.</td>
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<tr>
<td>$80,000</td>
<td>$88,951</td>
<td>$1,024</td>
<td>$504</td>
<td>$1,508</td>
<td>$517</td>
<td>$1,358 for 5.7 yrs.</td>
<td>$1,024 for 10.2 yrs.</td>
<td>$1,159 for 10.5 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,159 for 11.5 yrs.</td>
<td>$699</td>
<td>$1,295 for 11.8 yrs.</td>
</tr>
<tr>
<td>$90,000</td>
<td>$100,750</td>
<td>$1,159</td>
<td>$571</td>
<td>$1,708</td>
<td>$595</td>
<td>$1,538 for 6.2 yrs.</td>
<td>$1,159 for 10.5 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$81</td>
<td>$1,295 for 11.8 yrs.</td>
</tr>
<tr>
<td>$100,000</td>
<td>$112,549</td>
<td>$1,295</td>
<td>$638</td>
<td>$1,908</td>
<td>$675</td>
<td>$1,718 for 6.5 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$781</td>
<td>$1,295 for 11.8 yrs.</td>
</tr>
<tr>
<td>$110,000</td>
<td>$124,348</td>
<td>$1,431</td>
<td>$705</td>
<td>$2,108</td>
<td>$755</td>
<td>$1,898 for 6.8 yrs.</td>
<td>$1,567 for 11.8 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$863</td>
<td>$1,295 for 11.8 yrs.</td>
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<td>$120,000</td>
<td>$136,147</td>
<td>$1,567</td>
<td>$772</td>
<td>$2,308</td>
<td>$845</td>
<td>$2,078 for 7.0 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,431 for 11.9 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$945</td>
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<tr>
<td>$130,000</td>
<td>$147,946</td>
<td>$1,703</td>
<td>$838</td>
<td>$2,508</td>
<td>$935</td>
<td>$2,259 for 7.3 yrs.</td>
<td>$1,703 for 11.6 yrs.</td>
<td>$1,703 for 12.3 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$1,027</td>
<td>$1,295 for 11.8 yrs.</td>
</tr>
<tr>
<td>$140,000</td>
<td>$159,746</td>
<td>$1,838</td>
<td>$905</td>
<td>$2,708</td>
<td>$1,109</td>
<td>$2,439 for 7.4 yrs.</td>
<td>$1,838 for 11.8 yrs.</td>
<td>$1,703 for 12.3 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$1,109</td>
<td>$1,295 for 11.8 yrs.</td>
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<tr>
<td>$150,000</td>
<td>$171,545</td>
<td>$1,974</td>
<td>$972</td>
<td>$2,908</td>
<td>$1,191</td>
<td>$2,619 for 7.6 yrs.</td>
<td>$1,974 for 11.9 yrs.</td>
<td>$1,703 for 12.3 yrs.</td>
<td>$1,567 for 12.2 yrs.</td>
<td>$1,295 for 11.8 yrs.</td>
<td>$1,191</td>
<td>$1,295 for 11.8 yrs.</td>
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<tr>
<td>$160,000</td>
<td>$183,344</td>
<td>$2,110</td>
<td>$1,039</td>
<td>$3,108</td>
<td>$1,273</td>
<td>$2,799 for 7.8 yrs.</td>
<td>$2,110 for 12.1 yrs.</td>
<td>$1,759-$1,838 for 12.3 yrs.</td>
<td>$1,759-$1,974 for 12.4 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$2,110</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
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<tr>
<td>$162,000</td>
<td>$185,704</td>
<td>$2,137</td>
<td>$1,052</td>
<td>$3,148</td>
<td>$1,289</td>
<td>$2,835 for 7.8 yrs.</td>
<td>$2,137 for 12.1 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$1,974 for 12.4 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$2,137</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
</tr>
<tr>
<td>$170,000</td>
<td>$195,143</td>
<td>$2,246</td>
<td>$1,106</td>
<td>$3,308</td>
<td>$1,354</td>
<td>$2,979 for 7.8 yrs.</td>
<td>$2,246 for 12.2 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$2,246</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
</tr>
<tr>
<td>$180,000</td>
<td>$206,942</td>
<td>$2,381</td>
<td>$1,173</td>
<td>$3,508</td>
<td>$1,436</td>
<td>$3,159 for 7.9 yrs.</td>
<td>$2,381 for 12.3 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$2,381</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
</tr>
<tr>
<td>$188,668</td>
<td>$217,170</td>
<td>$2,499</td>
<td>$1,231</td>
<td>$3,682</td>
<td>$1,507</td>
<td>$3,315 for 8.0 yrs.</td>
<td>$2,499 for 12.4 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
<td>$2,499</td>
<td>$1,759-$2,110 for 13.0 yrs.</td>
</tr>
</tbody>
</table>
Repayment Strategy

To reduce the cost of student loans - make extra payments
Options During Residency
The most feasible options during residency:

Pay Later (using Forbearance)

Pay Now (using IBR or Pay As You Earn)
IBR or Pay As You Earn

Refer to pgs 20-21

Benefits

Partial interest subsidy during the first 3-years

Capped payment amount

Interest capitalization benefits

Possible loan forgiveness
To enter IBR/Pay As You Earn, borrower must

- Contact each servicer individually to request
- Give access to household AGI* (tax records)
- Annually inform servicer(s) of family size & AGI
- Demonstrate a Partial Financial Hardship (PFH)

*As reported to the IRS. Annual verification is required of both AGI and family size.
Formula for a Partial Financial Hardship (PFH):

$2,250 / mo* > $410 / mo (IBR)

- More likely when income is low and debt is high
- Max payment in IBR is the Standard amount*
- 1st post-M.D. year median stipend is $48,700**

*As originally determined when calculating Partial Financial Hardship based on $195,100 entering repayment ($170,000 medical education debt plus $25,100 of capitalized interest from 4-years of school and 6-months of grace)

**Preliminary data from AAMC Survey of R/F Stipends and Benefits and AAMC Analysis
IBR or Pay As You Earn

Refer to page 20

Online Calculators

Determine Amount by Calculating

15% (IBR) or 10% (Pay As You Earn) of income that exceeds 150% of the poverty line for a borrower’s family size

www.aamc.org/FIRST
www.IBRinfo.org
www.studentaid.ed.gov

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Other Considerations
Loan Forgiveness

Eligible Loans

+ Qualifying Payments

+ Qualifying Work

Public Service Loan Forgiveness
Loan Forgiveness

Other programs listed at AAMC Web site:

www.aamc.org/stloan

NIH Loan Repayment Programs:

www.lrp.nih.gov

NHSC Repayment Program:

www.nhsc.hrsa.gov/loanrepayment
Details of Private Loans

Typically unsubsidized for life of loan

A grace period/forbearance may be available

*Cannot* be included in options for federal loans*

Be cautious when consolidating private loans

* Including, but not limited to, IBR, Pay As You Earn, PSLF, Mandatory Forbearance, etc.
When to consider consolidation:

- Multiple servicers to repay
- To obtain Public Service Loan Forgiveness (DL)
- To make Perkins or LDS Loans eligible for IBR
- Make FFELP, Perkins & LDS Loans eligible for Pay As You Earn

SHOULD YOU CONSOLIDATE? SEE PAGE 44-45!
Effects of consolidating

A longer term will increase the interest costs
Possibly a higher interest rate
A new loan with new benefits
May negatively affect subsidies, grace, deferment, cancellation or forgiveness options

FOR MORE ON THE EFFECTS, SEE PAGE 42-43!
### Taxpayer Relief Act of 1997

#### Student loan interest deduction max $2,500 per year

<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>$60,000 or less</td>
<td>$60,001 to $74,999</td>
<td>$75,000 or more</td>
</tr>
<tr>
<td><strong>Married filing Jointly</strong></td>
<td>$120,000 or less</td>
<td>$120,001 to $149,999</td>
<td>$150,000 or more</td>
</tr>
</tbody>
</table>

Limited to first 60-months of repayment

Voluntary payments & capitalization may be eligible
Check your Credit Report

www.annualcreditreport.com
Medloans® Organizer and Calculator

- Organize and keep track of your student loan information
- Develop repayment strategies using the calculator
- Use the only calculator designed specifically for medical students

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

Frank Bauer, 2012 Graduate, URochester SOM

www.aamc.org/FIRST
The Next Steps

Refer to page 49

**STEP #1:** Immediately

**ORGANIZE YOUR LOANS (See pages 3-5)**

- How much is owed?
- Who services these 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 either request a repayment plan or forbearance

**CONSIDER PAYING SOME OF THE ACCRUED INTEREST (See pages 11-12)**

- Check with the servicer(s) to determine their policy on interest capitalization

**STEP #3:** Upon Graduation

**CONSOLIDATION IS AN OPTION (See page 41)**

- Applications can be submitted and processed immediately or request a grace-hold and the application will be processed 30-days before the grace expires
The Next Steps

Refer to page 6

www.aamc.org/FIRST
Twitter: @FIRST
FACEBOOK: FIRST for Medical Education
Your residency program
Your medical school’s financial aid office
Your loan servicers and their websites

www.ombudsman.ed.gov

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