Integrated Problems in Practice Management (IPPM)

Exit Counseling and Debt Management
by Student Financial Services

Class of 2015
Agenda

- Navigating the Financial Aid Repayment Process
  - Repaying Federal Loans
  - Repaying Private Loans
  - Repaying BU Loans

- Budgets and Planning for the Future
  - Contingency Planning and Budgeting
  - Credit Reports and Scores
  - Helpful Resources

- Exit Material Requirements and Sign-out Process
Please Note:

- All examples are for illustrative purposes only—each student’s situation is unique
Salary Breakdown

- Assumptions: $90,000 in the first year over 12 months of working
- Tax filing status: single
- Tax Rate: $18,194 plus 28% of excess over $89,350
- Taxes for year: $18,376
- After Federal Taxes: $71,624

Salary Breakdown Cont.

- $71,624 after federal taxes
- $5,969 per month
- Don’t forget about state taxes, social security payments, retirement contributions and health insurance that may be deducted from your salary
- What can you afford as a monthly student loan payment?
Debt Assumptions for DMD 4

- Maximum Federal Loans Only for 4 years of Dental School
- Subsidized Loans: $8,500 6.8% interest
- Unsubsidized Loans: $170,000 5.41-6.8%
- Grad PLUS Loans: $180,000 6.41-7.9%
- Total: $358,500

We know these figures do not apply to many of you- this is just one example.
Debt Assumptions for AS2

- Maximum Federal Loans Only for 2 years of Dental School
- Unsubsidized Loans: $92,112 5.41-6.21%
- Grad PLUS Loans: $127,888 6.41-7.21%
- Total: $220,000
Ways to Repay Your Federal Loan

- Based on assumption on DMD 4 slide:

  *This and the following slides based on the calculator available on www.studentloans.gov*
Further Assumptions

2. Your Tax Filing Status
   - Single

3. Your Income
   - $90,000

- Adjusted Gross Income (AGI)
  - 90000

- Family Size
  - 1

- State of Residence
  - MA
You have a choice of repayment plans. The chart below provides details about repayment plans and your estimated repayment information under each of the different plans. Your loan servicer will determine your eligibility for the repayment plans.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Repayment Period</th>
<th>Monthly Payment Initial to Final Amounts</th>
<th>Protected Loan Forgiveness</th>
<th>Total Interest Paid</th>
<th>Total Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>120 months</td>
<td>$4102 to $4102</td>
<td>$0</td>
<td>$133888</td>
<td>$492188</td>
</tr>
<tr>
<td>Graduated</td>
<td>120 months</td>
<td>$2352 to $7087</td>
<td>$0</td>
<td>$170372</td>
<td>$528872</td>
</tr>
<tr>
<td>Extended Fixed</td>
<td>300 months</td>
<td>$2459 to $2459</td>
<td>$0</td>
<td>$379077</td>
<td>$737577</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>300 months</td>
<td>$1992 to $3541</td>
<td>$0</td>
<td>$441042</td>
<td>$799542</td>
</tr>
<tr>
<td>Pay As You Earn</td>
<td>240 months</td>
<td>$604 to $1625</td>
<td>$587555</td>
<td>$249095</td>
<td>$249095</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)--</td>
<td>300 months</td>
<td>$906 to $3151</td>
<td>$411479</td>
<td>$544721</td>
<td>$544721</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)--</td>
<td>300 months</td>
<td>$1306 to $4414</td>
<td>$198341</td>
<td>$510400</td>
<td>$770559</td>
</tr>
</tbody>
</table>
Standard Repayment Plan

- This is the default plan - if you do not select a different option, you will automatically be enrolled in the standard repayment plan.
- Typically the fastest way to repay your loan (10 Years).
- Based on your initial balance.
Extended Fixed Repayment Plan

- Paid off over 25 years instead of 10 years
- Based on your initial balance
- Over the lifetime of the loan you pay more money
- Remember: with Federal Loans there is no prepayment penalty.
Pay As You Earn (PAYE)

- “For Pay As You Earn, a circumstance in which the annual amount due on your eligible loans, as calculated under a 10-year Standard Repayment Plan, exceeds 10 percent of the difference between your adjusted gross income (AGI) and 150 percent of the poverty line for your family size in the state where you live.”
PAYE: Partial Financial Hardship

- Monthly Adjusted Gross Income: $7500
- (minus) 150% of Poverty Line*: - $1459
- Discretionary Income: =$6041
- Multiplied by 10% .10
- Monthly PAYE Payment = $604
- Monthly payment under PAYE < Monthly payment under Standard

*http://aspe.hhs.gov/poverty/14poverty.cfm
PAYE Continued

- The payments are calculated based on your income
- You have to reapply each year
- You will never have to pay more than the amount you would pay under the Standard Repayment Plan
- In this example $587,565 is forgiven… BUT it is a taxable event
- Available to new borrowers as of Oct. 1, 2007
- Remember: Check with your loan servicer to enroll in this plan

Always check [www.studentloans.gov](http://www.studentloans.gov) for the most up to date information.
Applying for IBR/PAYE

Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request

Use this form to (a) request an available repayment plan based on your income, (b) provide the required information for the annual recalculation of your payment amount under one of these plans, or (c) request that your loan holder reevaluate your monthly payment amount.

WARNING: Anyone who knowingly submits a false statement or representation on this form or any accompanying document is subject to penalties that may include fines, imprisonment, and/or, under the U.S. Criminal Code, fines of up to $1,000.

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information:

- Check this box if any of your information has changed.
- SSN
- Name
- Address
- City, State, Zip Code
- Telephone – Primary
- Telephone – Alternate
- E-mail Address (Optional)

SECTION 2: REPAYMENT PLAN REQUEST

Before completing this form, carefully read the entire form, particularly Sections 7, 8, and 9. Type or print using dark ink. If you need help completing this form, contact your loan holder(s). Return the completed form and any required documentation to the address shown in Section 8. You may be able to complete your request online by visiting studentaid.gov. Information about repayment plans and calculators are available at studentaid.gov.

Other repayment plans, such as extended or graduated, may be available and may offer a lower monthly payment amount. In addition, payment under the IBR, Pay As You Earn, or ICR plans may result in your paying more interest over time and may result in federal income tax liability on any loan amount that is forgiven under these plans.

1. Please select the reason that you are completing this request by checking box a, b, or c, below:
   a. I am requesting a repayment plan based on my income – Check the plan(s) you are requesting below and then continue to item 2.
      - Direct Loan Program Loans
      - FFEL Program Loans

      | Direct Loan Program Loans* | FFEL Program Loans* |
      |---------------------------|---------------------|
      | IBR                      | Available           |
      | Pay As You Earn           | Available           |
      | ICR                      | Available           |
      | I apply to the lowest monthly payment amount. Only IBR will be considered for FFEL Program loans. |

   * Not all loan types apply for the FEL, and Direct Loan Programs are eligible for these plans (see Section 8).

   For Direct Loan borrowers, your request will apply to all of your loans that are eligible for the plans you choose. For FFEL borrowers, you can only select one plan if you request a change to the Direct Loan Program. Before submitting your request, you should review all of your options with your loan holder and make sure you understand the implications of changing to a different repayment plan.

   b. I am submitting annual documentation for the recalculation of my monthly payment amount under my current repayment plan – Continue to item 2.
   c. I am requesting that my loan holder reevaluate my current monthly payment amount because my circumstances have changed – Continue to item 2.

Federal Consolidation Loan

- Allows you to consolidate your Federal Loans into one loan that can be paid off over 30 years
- Be aware of losing borrower benefits associated with original loans
- Interest rate is a weighted average of underlying loans
- You cannot consolidate your loans with your spouse’s student loans
- No origination or guarantee fees to consolidate
- For more info visit: https://studentaid.ed.gov/repay-loans/consolidation
Repayment Timeline for Federal Loans

- Repayment begins 6 months after you graduate, drop below half time or take a leave of absence
- Loans that were in repayment before entering Dental School go into repayment immediately
- Make sure you are prepared to make your first payment and that you are set up with your servicer(s) before that payment is due
Trouble Making Payments?

- Contact your loan servicer at least a month before you might miss a payment
- Your Loan Servicer wants to help you keep your loan in good standing
- Check to see if a different repayment plan would help
- Ask if you qualify for either a Deferment or a Forbearance
After Graduation Loan Forgiveness

Public Service Loan Forgiveness

- Loans forgiven after 10 years
- Eligible Loans: Direct Loans, Stafford Loans, Graduate PLUS, Perkins Loans
- Eligible repayment plans: Income Based Repayment, Income Contingent Repayment, Standard Repayment
- Eligible Job: Any state, federal or local government or non-profit organization
- For more info visit: www.studentloans.gov

National Health Service Corps

- Eligible loans:
  - All federal, state, or commercial educational loans.
- Full time and part time forgiveness programs
- Must be general or pediatric Dentist
- To apply, find a job at an approved site: http://nhscjobs.hrsa.gov/Search_HPOL.aspx
- Apply by stated deadlines: http://nhsc.hrsa.gov/loanrepayment/
After Graduation
Delinquency and Default

● Delinquency
  – Definition: late student loan payments

● Default
  – Definition: 270 days past due
    ● No longer eligible for federal student aid
    ● Wages may be garnished; tax refunds withheld
    ● May not be able to get/renew professional licensing
    ● Denied malpractice insurance
After Graduation Cancellation

- Loan cancellation (discharge) available due to:
  - Death
  - Total and permanent disability
  - Loan is not transferred to spouse or children

- Documentation must be provided to loan holder/servicer

- You must pay these loans off **even if** you do not become a dentist, obtain your chosen career, or declare bankruptcy
After Graduation
Tax Benefits

Student Loan Interest Deduction*
- Ability to write-off up to $2,500 for interest paid on student loans
- Receive a 1098-E from lenders
- Eligible to write-off if income is less than:
  $75k if single OR
  $155k if married and filing jointly

Please contact the IRS or a personal accountant for any filing questions


Always check www.irs.gov for the most up to date information.
Tips for paying off your loan faster

- If you can, pay some (or all) of the interest that has accrued on your loans before the end of your 6 month grace period when the interest capitalizes.
- If you are able to, making additional payments can reduce the total interest paid, and the time it takes to repay your loan.
- Always follow up with your loan servicer when making additional payments.
Determining Loan Servicer(s)

- Go to www.studentloans.gov
- Click on “My Financial Aid History”
- Select Financial Aid Review
- Log In Using your SSN and PIN
- Click on each loan for more detail, including the loan servicer for that loan
- Check all loans, you may have more than one servicer
Credit Based Loans Repayment Timelines

- The terms and conditions vary - check with your lender
- Always follow up when making payments
- Ask about incentives for on-time payments and co-signer release
- Private loans do not show up on www.studentloans.gov
BU Loans

Spencer N. Frankl Loan  
(5% fixed interest rate)

Henry M. Goldman Loan  
(5% fixed interest rate)

Robert Wood Johnson, RWJ  
(3-5% fixed interest rate)

Loans for Disadvantaged Students, LDS  
(5% fixed interest rate)

Health Professions Student Loan, HPSL  
(5% fixed interest rate)
BU Loans: Terms and Conditions

- 12 month grace period
- No interest accrues while you are in school
- 10 year repayment timeline
- No prepayment penalty
Paying Your BU Need-Based Loans

- Set up account on www.mycampusloan.com
- Contact Student Loan Accounting for any questions as you go through repaying your loan
  - www.bu.edu/studentloanaccounting/contact-us
Budgets and Planning for the Future
Building Your Own Budget

Purpose of a Budget

To identify and plan short and long term goals for how you will:

- Spend your available resources
- Meet your needs and wants
- Avoid spending more than you have
### Planning Your Budget

**Monthly**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Compensation/Salary</td>
<td>$___________</td>
</tr>
<tr>
<td>Monthly Net Income</td>
<td>$___________</td>
</tr>
<tr>
<td>Rent/Mortgage</td>
<td>$___________</td>
</tr>
<tr>
<td>Food and Utilities</td>
<td>$___________</td>
</tr>
<tr>
<td>Consumer Debt Payment</td>
<td>$___________</td>
</tr>
<tr>
<td>Malpractice Ins./Licensure Fees</td>
<td>$___________</td>
</tr>
<tr>
<td><strong>Monthly Disposable Income</strong></td>
<td>$___________</td>
</tr>
<tr>
<td><strong>Estimated Monthly Loan Payment</strong></td>
<td>$___________</td>
</tr>
</tbody>
</table>
Credit Check and Credit Scores

Checking Your Report

- All US residents may receive one free credit report from each bureau annually
- Review all information carefully
- Every detail is important – from the SS# to the individual account numbers
- Review your reports every year
- You can request all three at once or at different points in the year
Helpful Hints
www.annualcreditreport.com

PLEASE REMEMBER:
www.annualcreditreport.com is FREE

www.freecreditreport.com is NOT FREE
It is a subscription site from one of the credit bureaus that will try to sell you reports from the other two
Helpful Hints

• Make Payments on time
• Keep balances on your credit cards low
• Don’t open cards you don’t need
• You don’t need a “credit repair” company!

www.myfico.com/CreditEducation/ImproveYourScore.aspx
Sample Credit Report

Review of Experian Credit Report available at:

www.experian.com/assistance/sample-credit-report.html
To Dispute Items

- Follow instructions from credit bureau
- Send written dispute letters
- Creditors have 30 days to provide proof
- Keep copies of everything!
FICO Score and VantageScore

- FICO Score is the traditional credit rating
  - Scores range from 300-850

- VantageScore is a new credit rating
  - Scores range from 300-850
FICO Score

- What’s in your score:

- What’s NOT in your score:
  - Race/Ethnicity/Religion
  - Age/Sex/Marital Status
  - Salary, Occupation or Employment History
  - Child Support or Alimony Responsibilities
  - Location

www.myfico.com/CreditEducation/WhatsInYourScore.aspx
Hits Against Your Credit Score

- Late payments
- Frequency of applications
- Frequency of inquiries
Joint Credit

- All credit cards, mortgages, auto loans, etc. that are jointly held will show on all credit reports
- If your spouse doesn’t pay the bill, you are still responsible
- Divorce does not automatically release one party from the joint debt; that must be negotiated during proceedings
Quiz on Credit

- http://creditscorequiz.org/index.php/quiz
Helpful Hints

Debt Management Strategies

- Reduce debt with the highest Annual Percentage Rate (APR)

- Once that debt is eliminated, roll that budgeted monthly payment amount into the second highest APR

  - This strategy is a good rule-of-thumb - not an absolute
Helpful Hints
A Little Self Protection

- Sign up for Auto Debit with your loans
- Invest in overdraft protection through your bank. Can you cover one month of bills?
- Sign up for savings plans at your bank
- Be aware of all auto-pay accounts linked to your bank account, especially if you close it
Helpful Hints
Why Auto Debit and Overdraft?

• Many lenders offer incentives for electronic repayment of your education loans
• Many offer additional incentives for on-time payments (after a certain number of months)
• Why? Electronic payments = lower costs AND fewer delinquencies
• BUT...if you bounce a payment, you may lose the on-time incentive
• Be aware of what the monthly payment is- it changes year to year under IBR/PAYE
What Should You Do Now?

- Organize your financial aid documents:
  - What do you have for undergrad borrowing?
  - Have you borrowed residency loans?
  - Organize all contact information
  - Identify and organize all loans by highest interest rate and amount
- Plan a budget!
- Sign up for a repayment plan for all of your loans
- Know when your first payment is due
How to Sign-Out of SFS

- Attend IPPM IV Presentation
- If you have BU Loans: complete the BU Exit Counseling Form
- If you have Federal Loans:
  - Complete Federal Exit Counseling on: [www.studentloans.gov](http://www.studentloans.gov)
BU Loan Exit Counseling Form

<table>
<thead>
<tr>
<th>Loan Exit Counseling Session</th>
<th>Personal &amp; Confidential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Borrower’s Last Name**: First Middle

**Spouse’s Last Name**: First Middle

<table>
<thead>
<tr>
<th>Student’s Addresses</th>
<th>Parent’s Addresses</th>
<th>Two References Other than Relatives or Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Address</td>
<td>First, Stepmother or Guardian</td>
<td>Name</td>
</tr>
<tr>
<td>City, State, Zip Code</td>
<td>Address</td>
<td>Address</td>
</tr>
<tr>
<td>Phone Number</td>
<td>City, State, Zip Code</td>
<td>City, State, Zip Code</td>
</tr>
<tr>
<td></td>
<td>Phone Number</td>
<td>Phone Number</td>
</tr>
</tbody>
</table>

**I understand that:**

I received a loan and must repay my loan on a timely basis as called for in the repayment agreement which was individually agreed upon by myself and my lending institution.

I must contact my lending institution prior to the due date if any payment cannot be made for any reason.

I must inform my lending institution or billing agent immediately of any change in my name or address.

I may accelerate or make payments prior to the due date without penalty. Extra payments will not take the place of any regularly scheduled installment.

My loan may be subject to late charges if payments are past due depending upon the provisions of my promissory note.

I may be subject to the total cost of collection and/or litigation if any amount becomes past due and persists to be past due without appropriate arrangements to bring the account current.

**Borrower’s Signature**

Date

**Administrator’s Signature**

Date
Questions and Answers