Student Loans and Debt Management Spring 2015

Exit Interview MSU CHM and COM

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Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2015 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.
Why am I here?
Tuition credit for non-resident

Estimated value: $41,981

If a student accepts a bona fide offer of permanent employment in Michigan following graduation, the student may seek a refund of the out-of-state tuition differential paid in any semesters falling completely within the 12 months preceding the date of the student’s acceptance of employment.

See
www.reg.msu.edu/ROIInfo/Notices/Residency.asp

Contact: Renee Irrer PH: 517/355-3481
Agenda

Know Your Loan Portfolio
What Happens After Graduation
Repayment Plans
How Repayment Looks in Residency
Other Considerations
Know Your Loan Portfolio
Master Promissory Note

Refer to page 7

- Is a contract with the lender
- Has a multi-loan feature
- Details terms and conditions
- Includes rights & responsibilities
Rights and Responsibilities

**Rights include...**

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

Responsibilities include...

- Make on time loan payments
- Make payments despite non-receipt of bill
- Notify the servicer of changes in contact info
- Complete exit counseling
- Review your promissory note for all responsibilities

Refer to page 7
Student loans must be repaid

Manage your debt - don’t let it manage you
Consequences

**Delinquency**
- Reported to credit bureaus
- Negatively affects credit

**Default**
- Entire balance due immediately
- Additional charges, fees, and collection costs
- Negatively affects credit
- Garnished wages and tax returns
- Withheld Social Security and disability benefits
- Responsible for legal fees and court costs
- Ineligible for additional student aid
- Other federal debt collection methods

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Loan Discharge

Death or Total/Permanent Disability
In the case of death, a death certificate must be submitted; in the case of disability, the borrower must apply to have the loans discharged and submit disability certification from a medical doctor.

Bankruptcy (Rarely)
In rare situations of bankruptcy where undue hardship can be proven in court.

School Closure or False Certification
If the school closed before you completed your program, falsely certified your loan eligibility, or failed to return funds to the lender on your behalf.

Identity Theft
If you are a victim of identity theft and the loans are not yours.

Teacher Loan Forgiveness
If you work in certain public school systems (i.e., teaching in a low-income area).

Discharge may be available in cases of:
Finding Your Federal Loans

To access, provide:
- SSN
- Date of birth
- First 2 letters of last name
- FAFSA PIN or FSA ID

www.nslds.ed.gov
Subsidized Versus Unsubsidized

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

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

* subsidy and deferment rights lost during consolidation
During Medical School

Interest Rates (BEFORE 7/1/2013)*

*variable before 7/1/2006

PERKINS LOAN*
5.0%

STAFFORD LOAN
6.8%

DIRECT PLUS LOAN
7.9%

* PCL Loans and LDS Loans are also at a fixed 5%
During Medical School

Refer to pages 11-12

Interest Rates (*'13-'14 LOANS*)

**PERKINS LOAN***
- 5.0% fixed

**STAFFORD LOAN**
- 5.41% fixed

**DIRECT PLUS LOAN**
- 6.41% fixed

* PCL Loans and LDS Loans are also at a fixed 5%
During Medical School

Interest Rates (‘14-’15 LOANS)

PERKINS LOAN*
5.0%

STAFFORD LOAN
6.21%

DIRECT PLUS LOAN
7.21%

* PCL Loans and LDS Loans are also at a fixed 5%
Another Repayment Strategy

Send separate from required payments

Instruct them to APPLY NOW

Towards the highest % rate loan

Then follow-up to verify it was done

If possible, pay the interest on your loans - before they capitalize!
Capitalization

Addition of unpaid interest to the principal

$180,000 + $28,300 = $208,300

Principal + Interest = Larger Principal
What Happens After Graduation
Payment Notification

Make sure your servicer has your new address.
Review your repayment choices carefully.
Submit your request and documents promptly.
**Loan Repayment Timeline**

- **Direct Loan**
- **Consolidation Loan**
- **PLUS Loan**: Disbursed on or after 7/1/08
- **Perkins Loan**
- **Primary Care Loan**
- **Loans for Disadvantaged Students (LDS)**
- **Institutional Loan**
- **Private Loan**

**School**
- Enrolled
- School Deferment

**Residency/Graduate Fellowship**
- **6-month deferment**
  - Deferment, Internship/Residency Forbearance, or Repayment
- **9-month grace**
  - Deferment, Forbearance, or Repayment
- **12-month grace**
  - Residency Deferment (up to 4 years in an eligible primary care residency program) Must re-apply each year
  - Deferment available throughout residency Must re-apply each year
  - Possible Grace, Deferment, or Forbearance Consult your financial aid office; check promissory note
  - Possible Grace, Deferment, or Forbearance Varies by lender; check promissory note

**Post Residency**
- Repayment
- Repayment
- Repayment
- Repayment
- Repayment
- Repayment
- Repayment
Postponement Options

Refer to pages 17-18

Deferment

Forbearance

Request 30-days before needed
Deferment

Must apply and qualify

Interest is waived on subsidized loans

Unsubsidized loans continue to accrue interest

Qualification requirements are typically STRICT

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Postponement Options

Refer to page 18

Forbearance

Must request from servicer

Interest accrues on all loans

Medical Residency Forbearance available

Reapply annually to postpone throughout residency

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Postponement Options

Medical Residency Forbearance

Postpones payments in annual increments

Interest accrues on all loans

Capitalization at the end of residency
(if increments requested back-to-back throughout)

Request the following increment 30-days before it is needed

NOTE: For more details, or to request a deferment or forbearance, contact your servicer.
Repayment Plans

- Standard
- Extended
- Graduated
- Income contingent – DL
- Income Based Repayment (IBR)
- Pay As You Earn (PAYE)
Loan Repayment

Refer to pages 28-29
## Repayment Plans

Refer to pages 30-31

### Effect on total cost

<table>
<thead>
<tr>
<th>Forbearance During Residency</th>
<th>Monthly Payment During Residency</th>
<th>Repayment Plan</th>
<th>Repayment Years after Residency</th>
<th>Estimated Monthly Payment after Residency</th>
<th>Interest Cost</th>
<th>Total Repayment</th>
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<tbody>
<tr>
<td>$0</td>
<td>Standard</td>
<td>10</td>
<td>$2,900</td>
<td>$166,000</td>
<td>$346,000</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>Extended</td>
<td>25</td>
<td>$1,700</td>
<td>$329,000</td>
<td>$509,000</td>
<td></td>
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<tr>
<td>$0</td>
<td>Graduated</td>
<td>10</td>
<td>$1,300 for 2 years then $3,400 for 8 years</td>
<td>$179,000</td>
<td>$359,000</td>
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<tr>
<td>$0</td>
<td>ICR</td>
<td>7.1</td>
<td>$3,600 to $3,800 over 7.1 years</td>
<td>$138,000</td>
<td>$318,000</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>IBR</td>
<td>10.5</td>
<td>$2,600 to $2,900 over 10.5 years</td>
<td>$171,000</td>
<td>$351,000</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>PAYE</td>
<td>16</td>
<td>$1,800 to $2,700 over 16 years</td>
<td>$243,000</td>
<td>$423,000</td>
<td></td>
</tr>
</tbody>
</table>
Monthly payments for the entire repayment term are calculated **up-front** and disclosed to you.

Based on a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,300 and a family size of one.
Repayment Plans

Income-Driven

Monthly payments are based on your income and other factors - recalculated annually.

$670/mo

$430/mo

$290/mo

Based on a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,3000 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?
Partial Financial Hardship (PFH)

$2,350 / mo > $430 (IBR) or $290 (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 a 2015 graduate indebtedness of $180,000 with a PGY1 stipend of $52,300 and a family size of one.
PAYE Eligibility

Additional requirements

• **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

• **Received a Direct Loan disbursement**
  on/after October 1, 2011
More info on IBR and PAYE

To enter IBR/PAYE, borrower must:

• Contact servicer to request
• Give access to household AGI (tax records)

Recommendation: file tax return for 2014 even if $0 income

Note: if married consult with CPA to determine whether to file married joint or married separate return.

• Annually inform servicer of family size & AGI
• If after 25 yrs of repayment for IBR (20 yrs in PAYE) you still have debt the balance is forgiven and is considered taxed income
Options During Residency
Options During Residency

Not Pay
- Medical Residency Forbearance

Pay
- PAYE
- IBR
- Extended Repayment
Which Option to Choose?
Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo* - Extended $1,380/mo* - IBR $430/mo - PAYE $290/mo

Career: Emergency Medicine

$30K - credit cards & private loans

Will pay what he needs to

*Amounts for illustrative purposes only. Actual amounts will vary based on interest rates and portfolio composition.
Dr. Patel – “Pay ‘Em Fast”

Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo* - Extended $1,380/mo* - IBR $430/mo - PAYE $290/mo

Career: General Surgery

No other debt

Wants loans repaid ASAP

Minimal living expenses

* Actual amounts will vary based on interest rates and portfolio composition.
Dr. Davis – “Family of Four”

Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Career: Internal Medicine

Spouse with > $200K income

Spouse has business debt + $150K in student loans

2 children and a mortgage

* Actual amounts will vary based on interest rates and portfolio composition.
Dr. Li – “Service is My Life”

Career: Pediatrics

Working towards loan forgiveness / repayment

Spouse with an identical portfolio and stipend

Portfolio: $180,000 • Monthly Stipend (PGY-1): $4,360

Standard $2,350/mo* - Extended $1,380/mo* - IBR $987/mo - PAYE $641/mo

• Actual amounts will vary based on interest rates and portfolio composition.
Medloans® Organizer and Calculator

- Upload your NSLDS loan data (details on page 4)
- Keep track of your student loan information
- Develop personalized repayment strategies

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

Frank Bauer, 2012 Graduate, URochester SOM

www.aamc.org/FIRST
Other Considerations
Loan Forgiveness (PSLF)

Eligible Loans
+ Qualifying Payments
+ Qualifying Work

Public Service Loan Forgiveness

Refer to pages 45-46
+s and –s of PSLF

Positives

• Forgiveness vs repayment
• Broad interpretation of public service – doesn’t have to be shortage area
• Not medical specialty specific
• Repayment during residency counts

Negatives

Details remain fuzzy
Lots of hoops to jump through – need doc for 10 years
May not be around in future or in same format
Reality: need to participate during residency

Bottom line: it’s just not about the money. It’s also about the kind of patients you want to see, where and how you want to practice
Loan Forgiveness (PSLF)

Want to know more?

www.aamc.org/FIRST
Repayment Assistance

Information on other programs:

aamc.org/stloan
lrp.nih.gov
nhsc.hrsa.gov

AAMC
National Institutes of Health (NIH)
National Health Service Corps (NHSC)
Reasons to Consolidate

- Eligibility for PAYE
- Eligibility for IBR
- Eligibility for PSLF
- Reduce # of Servicers

Refer to page 47
Effects of Consolidating

New loan
with new terms and benefits

Increased interest costs
as a result of longer repayment term

Possible higher interest rate
due to rounding in the interest rate formula

Possible negative effect on loan terms
subsidies, grace, deferment, cancellation, forgiveness
Should You Consolidate?

Refer to pages 50-51

A common-sense approach to repaying wisely

www.aamc.org/FIRST

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# Taxpayer Relief Act of 1997

## Deduction Limits

<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>$65,000 or less</td>
<td>$65,001 to $80,000</td>
<td>$80,001 or more</td>
</tr>
<tr>
<td><strong>Married filing Jointly</strong></td>
<td>$130,000 or less</td>
<td>$130,001 to $160,000</td>
<td>$160,001 or more</td>
</tr>
</tbody>
</table>

**Limited to:** First 60 months of repayment

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

**May be eligible:** Voluntary payments & capitalization

The Next Steps

The following is a brief guideline, for soon-to-be graduates, about the possible first steps for managing student loans as medical school transitions into residency.

**STEP #1: Immediately**
- **Organize Your Loans** ([See pages 3-5](#))
  - What types of loans do you have?
  - Who services the 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 request either a repayment plan to pay under or forbearance to postpone payments
  - **Consider Paying Some of the Accrued Interest** ([See pages 11-12](#))
  - Check with the servicer(s) to determine their policy on interest capitalization to know when your loans will capitalize

**STEP #3: Upon Graduation**
- **Consolidation is an Option** ([See pages 47-51](#))
  - Applications can be submitted and processed immediately, or a request can be made and the application will be processed at or near the end of the grace period. Consolidation processing takes 20-60 days.

**STEP #4: When Residency Begins**
- **You Now Qualify for a Mandatory Medical Residency Forbearance** ([See page 18](#))
  - As a resident, you are able to postpone payments through this forbearance (granted in annual increments)
  - If you desire FPL, Employment Certification Forms or Consolidation applications may be submitted to the appropriate servicer now or anytime in the future ([See page 48](#))

**STEP #5: 30 Days Prior to the End of the Grace Period**
- **Decide If You Will Postpone or Begin Repayment** ([See pages 30-31](#))
  - To postpone payments, contact the servicer(s) to discuss postponement options.
  - To start making payments, contact the servicer(s) to select a repayment plan (if you have not already done so)

**STEP #6: 1 Year After Repayment/Postponement Begins**
- **Submit All Necessary Paperwork to Your Servicer to Maintain the Repayment Plan or the Postponement Option You Selected.**
“An investment in knowledge always pays the best interest”
Questions

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