Student Loans and Debt Management

Exit Interview
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AAMC
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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 servicers to discuss exact loan balances and repayment options.

Oh, that’s why!

Agenda

Know Your Loan Portfolio
How to Postpone Payments
Payments During Residency
Other Considerations

Have a Spending Plan

Refer to page 40

www.aamc.org/FIRST

Have a Spending Plan

Refer to pages 37-40

www.mint.com
Know Your Loan Portfolio

Class of 2014 Indebtedness

- Median MD School Debt: $180,000
- 43% report debt of $200,000 or higher
- 84% of class report having educational debt

Got Private Loan Debt?
- See pages 53 & 54

Median MD School Debt: $180,000

PUBLIC
PRIVATE

$170,000
$200,000

Source: AAMC 2014 Graduate Questionnaire (GQ)

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

Finding Your Federal Loans

Class of 2014 Indebtedness

East Tennessee COM

Median Education Debt

Education Debt
$175,000
Non-Education Debt (avg) $8,000

Source(s): 2014 Graduation Questionnaire and LCME I.B data, 87% w medical debt, 25% w premed debt (GQ survey)

Subsidized Versus Unsubsidized

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

Subsidized
Unsubsidized

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

During Medical School

Interest Rates (BEFORE 7/1/2013)

- 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%
STAFFORD LOAN 5.41%
DIRECT PLUS LOAN 6.41%

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%

During Medical School

Refer to pages 11-12

Capitalization

Refer to page 13

Addition of unpaid interest to the principal

$175,000
$27,500
$202,500

Principal + Interest = Larger Principal

Repayment Strategy

Voluntary Payments

1) Send as a Separate Payment - w/ Instructions to APPLY NOW - and Specify the Loan to Apply it to (high rates are the priority)
2) Follow-up to Verify it was done

Pay the interest on your loans - before they capitalize!

After Graduation

Grace

Refer to pages 15-16

Loan Repayment Timeline
Options During Residency

Postponement Options
Refer to page 17

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.

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 90-days before it is needed

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

Forbearance

Forbearance

Dr. Median’s situation after a 4-year residency

<table>
<thead>
<tr>
<th>Balance after Grace</th>
<th>Residency Interest</th>
<th>Post-Residency Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$202K</td>
<td>$46K</td>
<td>$248K</td>
</tr>
</tbody>
</table>

Based on a 2015 graduate indebtedness of $175,000 (numbers are rounded).

Dr. Median’s repayment of $248K after residency:

<table>
<thead>
<tr>
<th>Plank</th>
<th>Yrs.</th>
<th>Monthly Payment</th>
<th>Total Interest</th>
<th>Total Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>10</td>
<td>$2,4800</td>
<td>$161K</td>
<td>$336K</td>
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<tr>
<td>Extended</td>
<td>25</td>
<td>$1,700</td>
<td>$320K</td>
<td>$495K</td>
</tr>
</tbody>
</table>

Based on a 2015 graduate indebtedness of $175,000 (numbers are rounded).

Debt Fact

“The lower the monthly payment, the higher the interest cost”
Payments During Residency

Repayment Plans

Traditional
- Standard
  - Monthly payment: $2,300
- Extended
  - Monthly payment: $1,350
- Graduated
  - Monthly payment: $1,100

Income-Driven
- Income-Contingent Repayment (ICR)
  - Monthly payment: $670
- Income-Based Repayment (IBR)*
  - Monthly payment: $430
- Pay As You Earn (PAYE)
  - Monthly payment: $290

What's the Catch?

Partial Financial Hardship (PFH)
- Monthly payment: $2,300
- Comparison: $430 (IBR) or $290 (PAYE)

IBR & PAYE Eligibility

Must have PFH to enter into IBR or PAYE
- Can remain in IBR or PAYE in subsequent years, even without PFH
- Must submit annual documentation
- Max payment in IBR or PAYE is the Standard amount (determined when entering the plan)

* New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to that of PAYE.
**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)
- Received a Direct Loan disbursement on/after October 1, 2011

**Benefits Over Postponing**

- Low payments
- Partial subsidy ($1,300)
- A maximum payment
- Forgiveness
- Limited and delayed capitalization

**Possible Path Into Payment**

**To Enter PAYE or IBR**

- Apply with Each Servicer
- Show a Partial Financial Hardship
- Provide Family Size (annually)
- Give Access to Tax Records

**After Residency**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Yrs</th>
<th>Monthly Payment</th>
<th>Total Interest</th>
<th>Total Repayment*</th>
<th>Total Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYE</td>
<td>15</td>
<td>$1,800-2,300</td>
<td>$208K</td>
<td>$383K</td>
<td>$0K</td>
</tr>
<tr>
<td>IBR</td>
<td>12</td>
<td>$2,300</td>
<td>$176K</td>
<td>$351K</td>
<td>$0K</td>
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</table>

**After Resident w $300K Indebtedness**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Yrs</th>
<th>Monthly Payment</th>
<th>Total Interest</th>
<th>Total Repayment*</th>
<th>Total Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYE</td>
<td>16</td>
<td>$1,800-2,700</td>
<td>$433K</td>
<td>$433K</td>
<td>$391K</td>
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<tr>
<td>IBR</td>
<td>19</td>
<td>$2,600 - $4,000</td>
<td>$463K</td>
<td>$763K</td>
<td>$0K</td>
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</table>

*Starting salary $200,000. Based on a 2015 graduate indebtedness of $175,000 and a 4-year residency. A PTH exists 5 years after residency (in IBR) and 5 years post residency in PAYE plan.

**TIP:** Consolidation may be needed to make some loans eligible (i.e. – Perkins).
The FIRST Stop
Refer to page 3

Medloans® Organizer and Calculator
- Upload your FASLS loan data (details on page 4)
- Keep track of your student loan information
- Develop personal loan repayment strategies

...the Medloans® Calculator is pretty darned useful. Job well done! - Frank Brown, 2012 Graduate, University of Rochester SOM

www.aamc.org/FIRST

Using NSLDS & the Medloans® Organizer and Calculator
Select this Button
Export your loans

So, What’s The Best Strategy?

Ease and Flexibility
Minimize Payment
Minimize Debt
Free Money

Forbearance
Voluntary and Aggressive Payments
IBR or PAYE
NHSC, PSLF, PAYE, or IBR

Other Considerations

Loan Forgiveness (PSLF)
Refer to pages 45-46

Eligible Loans
- Qualifying Payments
- Qualifying Work

Public Service Loan Forgiveness

Dr Median and PSLF

Dr. Median pursues Public Service:
- Pediatrician at a community health center
- IBR for 10 years (3yr. residency + 7yrs. after)
- Has PFH for all 10 years
- Qualifies for Public Service Loan Forgiveness
Loan Forgiveness (PSLF)

Dr. Median’s loans after 10 years of public service:

- Total Paid (IBR) ………………… $160K*
- Total Forgiven (IBR) ………………… $165K
- Total Paid (PAYE) ………………… $107K*
- Total Forgiven (PAYE) ………………… $223K

*Starting salary $130,000.

Want to know more?

www.aamc.org/FIRST

Refer to pages 45-46

Information on other programs:

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

Repayment Assistance

Should You Consolidate?

www.irs.gov/publications/p970

Are There Any Tax Benefits?

Limited to: First 60 months of repayment
Max student loan interest deduction: $2,500/year
May be eligible: Voluntary payments & capitalization

The Next Steps

Refer to pages 50-51

Refer to page 52

Refer to page 55
“An investment in knowledge always pays the best interest”