Student Loans & Repayment Strategies
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Agenda
Know Your Loan Portfolio
What Happens After Graduation
Repayment Plans
How Repayment Looks in Residency
Other Considerations

Takeaway Resources
Education Debt Manager (EDM)
The Next Steps (guide)
aamc.org/first/edm
aamc.org/nextsteps

The CARES Act
and Your Student Loans
https://studentaid.gov/coronavirus
aamc.org/first/caresactimpact

1. Suspend monthly payments and interest on federal student loans from:
2. Does NOT apply to private loans. It also does NOT apply to Perkins or loans that are NOT owned by ED.
3. Suspends due dates.

The CARES Act Impact = "Savings" of $12,300

Know Your Loan Portfolio
https://studentaid.gov/coronavirus
### Class of 2020 Indebtedness

<table>
<thead>
<tr>
<th>Institution</th>
<th>Education Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTUHSC SOM</td>
<td>$160,000</td>
</tr>
</tbody>
</table>

| Credit Card Debt** (mean) | $6,539 |

* GQ: $150,000 (median) medical school debt. LCME IB: 72% left w/ med ed debt for the class of 2020.

** GQ: 15% MD grads reported leaving with credit card debt.

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### Do You Have Other Debt?

- [annualcreditreport.com](https://www.annualcreditreport.com)

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### StudentAid.gov

- [StudentAid.gov](https://studentaid.gov)

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### ACTION ITEM #1:

- Download the Details of Your Debt

- Gather 3 Key Details of Your Loans

- [StudentAid.gov](https://studentaid.gov)
Dates of Disbursement

Direct Unsubsidized
Direct PLUS
Private Loans
Institutional Loans
(underlying unsubsidized loans)

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

Consolidation Loans
(underlying unsubsidized loans)

Loans vs. Unsubsidized Loans

* Subsidy and deferment rights are lost in a consolidation loan.

Interest Capitalization for Class of 2021

Principal: $160,000
Interest: $12,200

CARES ACT Impact = “Savings” of $13,200

Fixed Interest Rates for the Class of 2021

<table>
<thead>
<tr>
<th>Loan Name</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Unsubsidized</td>
<td>6.0%</td>
<td>6.08%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Perkins*</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Direct Subsidized</td>
<td>6.0%</td>
<td>6.08%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>7.0%</td>
<td>7.08%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Interest Capitalization

Accrued interest is added to original principal

$172,200
New Principal

Debt: $183,000
Principal: $160,000
Interest: $12,200
$310
$470
$172,200
$160,000
$12,200
$172,200
If possible, pay some (or all) accrued interest before it capitalizes.

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Repayment TIP

Send Voluntary Payments the Right Way

1) Send as a Separate Payment
   - Tell servicer to APPLY NOW
   - Specify WHERE to apply it
   (high interest rate loans are the priority)

2) Verify Payment was Applied Accurately

NOTE: All payments are applied to unpaid interest first. Principal is only reduced after all interest is paid.

<table>
<thead>
<tr>
<th>Principal Borrowed</th>
<th>Owed After Grace*</th>
<th>Interest/Per Mo. During Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100K</td>
<td>$108K</td>
<td>~$500/mo.</td>
</tr>
<tr>
<td>$150K</td>
<td>$161K</td>
<td>~$800/mo.</td>
</tr>
<tr>
<td>$200K</td>
<td>$216K</td>
<td>~$1,100/mo.</td>
</tr>
<tr>
<td>$250K</td>
<td>$270K</td>
<td>~$1,400/mo.</td>
</tr>
<tr>
<td>$300K</td>
<td>$324K</td>
<td>~$1,700/mo.</td>
</tr>
<tr>
<td>$350K</td>
<td>$378K</td>
<td>~$2,000/mo.</td>
</tr>
</tbody>
</table>

NOTE: Payments are applied to unpaid interest first.

Know your numbers so you can make educated repayment decisions.

To log in to the MedLoans Organizer and Calculator, use your AAMC username and password.

aamc.org/medloans

To see your repayment options quickly, export your loan information from NSLDS and then upload it into the Organizer for calculation.

For help in assistance, email dfsales@aamc.org

After Graduation
Loan Repayment Timeline

The path for many federal student loans

When is Your First Payment Due?

- A gap between undergrad and medical school (if longer than 6 months)
- An LOA during medical school (if longer than 6 months)

Contact loan servicer(s) to confirm payment due dates

Post-Graduation: Decision Time

Make Payments

Postpone Payments

Medical Residency Forbearance

Postpone loan payments in annual increments.
Postpone additional interest capitalization till end of residency.
All medical residents are eligible.

Interest and Forbearance

| Amount Borrowed: $160,000 | Balance After Grace: $172,200 | Interest During 4Yr Residency: $40,000 | Post-Residency Balance: $212,000 |

MedLoans® Organizer and Calculator

An organizer and calculator for MD students and graduates

- Upload your student loan data (details on page 5)
- Keep track of your student loan information
- Develop your repayment strategy

aamc.org/medloans
Medical Residency/Internship Forbearance
Is it a Good Option?

BEST for You, IF...
- Seeking to REDUCE stress and financial obligations
- Desiring to INCREASE disposable income
- Have PRIVATE loans with higher interest rates

NOT for You, IF...
- Seeking Public Service Loan Forgiveness (PSLF)
- Seeking an Income-Driven Repayment (IDR) plan
- Want to begin repayment immediately

What about repayment options?

Repayment Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Payment</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard</td>
<td>$1,900/mo</td>
<td>10yrs</td>
</tr>
<tr>
<td>Extended</td>
<td>$1,100/mo</td>
<td>25yrs</td>
</tr>
<tr>
<td>Graduated</td>
<td>$800/mo</td>
<td>10yrs</td>
</tr>
</tbody>
</table>

Income-Driven

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Payment</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$770/mo</td>
<td>25yrs</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>$500/mo</td>
<td>25yrs</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>$330/mo</td>
<td>25yrs</td>
</tr>
</tbody>
</table>

Payments are based on household income (AGI) and family size - recalculated annually.

Adjusted Gross Income (AGI) = 150% of the Poverty Guideline = Discretionary Income
IDR Plans Eligibility: Eligible Loans

- ICR
- IBR
- PAYE
- REPAYE

Eligible Loans

- Perkins and LDS loans are not eligible unless included in a Direct Consolidation Loan

IDR Plans Eligibility: Financial Need

- ICR
- IBR
- PAYE
- REPAYE

Eligible Loans

- Must have a Partial Financial Hardship (PFH)

IDR Plan Eligibility: New Borrowers Only

- ICR
- IBR
- PAYE
- REPAYE

Eligible Loans

- Must be a "new" borrower

"New Borrower" Defined

Two Requirements

1) No outstanding loans on October 1, 2007 or paid-off all outstanding loans before receiving a new loan on or after 10/1/07

2) Received a Direct Loan disbursement on or after October 1, 2011

Revised Pay As You Earn (REPAYE) vs PAYE

All Borrowers Eligible

- Payments = 10% of Discretionary Income, Changes Yearly Based On Income and Family Size
- Forgiveness - 25 Years
- Interest Capitalizes When You Leave Plan
- Interest Subsidy

Pay As You Earn

- No Cap on Payment

- 50% of the interest that is not covered by monthly payment will be "subsidized"
Run Your Numbers

- Upload your loan data (details on page 15)
- Keep track of your loan data information
- Develop personalized repayment strategies

National Bank:
2021 Graduate, University of Rochester School of Medicine and Dentistry

Seeking a Zero Payment
To Optimize the Forgiveness in PSLF or the REPAYE Subsidy

Option #1: FILE 2020 Taxes

Option #2: CONSOLIDATE to Forfeit Grace

Timing is Everything
Submit application as early as 90 days before grace ends

Requesting an Income-Driven Repayment Plan?

Revised Pay As You Earn (REPAYE) – 50% Subsidy

- Unpaid Expected Annual Earnings Residency
- REPAYE payment for PGY1 ($330)
- Unpaid Interest = $470
- 50% Subsidized = $235
- Remaining Interest Owed = $235

50% of interest, not covered by the monthly payment will be "subsidized"
Married Borrowers & Income-Driven Repayment

The Impact of a Spouses Income and Debt
(page 31 in the EDM)

Married Borrowers & Income-Driven Repayment

Married Physicians & Income-Driven Repayment

Additional FIRST Resources

MedLoans® Organizer and Calculator
Fact Sheets: Student Loan & Repayment
Upcoming Webinar and Posted Videos

The Best Repayment Strategy

How to Know Your “Best” Strategy

It’s not about the best one
It’s about what fits with your life and financial goals

Repayment Plans Compared – CHART
How to Know Your “Best” Strategy

Each WILL go up or down depending on the repayment plan.

MONTHLY COST

TOTAL COST

TIME

DR. IM

Career: Emergency Medicine

Residency Length: 4 years

Starting Residency Stipend: $59,300

Post Residency Starting Salary: $250,000

Net Monthly Income: $3,600

Post Residency: $13,000

Dr. ER

Career: Internal Medicine

Residency Length: 3 years

Starting Residency Stipend: $59,300

Post Residency Starting Salary: $200,000

Net Monthly Income: $3,600

Post Residency: $11,000

Impact of Sending Extra Payments

(pgs. 35-37)

Student Loan Debt: $183,000

Repayment Plan

Payment During Residency

Post-Residency Payment

Total Repayment Amount

Forgiven Total Years including Residency

Forbearance then Standard

$0

$2,200

$266K

$0

13

Pay As You Earn (PAYE)

$330 – $380

$1,600 – $1,900 (21.7 yrs)

$260K

$0

14

Revised PAYE (REPAYE)

$330 – $380

$1,600 – $2,000 (16.3 yrs)

$259K

$0

13

Note: Based on PGY-1 median stipend, 2021 graduate. All figures approximate.

Impact of Sending Extra Payments

(pgs. 35-37)

Student Loan Debt: $250,000

Repayment Plan

Payment During Residency

Post-Residency Payment

Total Repayment Amount

Forgiven Total Years including Residency

Forbearance then Standard

$0

$3,600

$437K

$0

13

Pay As You Earn (PAYE)

$320 – $380

$1,600 – $2,400 (21.7 yrs)

$414K

$158K

20

Revised PAYE (REPAYE)

$320 – $380

$1,600 – $2,700 (21.7 yrs)

$557K

$0

25

Note: Based on PGY-1 median stipend, 2021 graduate. All figures approximate.
### Repayment Plan During Residency

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency 4 yrs</th>
<th>Post-Residency Monthly Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years Including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$2,300</td>
<td>$279K</td>
<td>$0</td>
<td>14</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$330 - $410</td>
<td>$1,900</td>
<td>$286K</td>
<td>$0</td>
<td>16</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$330 - $410</td>
<td>$2,100</td>
<td>$251K</td>
<td>$0</td>
<td>13</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend, 2021 graduate. All figures approximate.

### Dr. Heart (6 Year Residency, Post Res Net Monthly Income $15,000)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency 6 yrs</th>
<th>Post-Residency Monthly Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Total Years Including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance then Standard</td>
<td>$0</td>
<td>$2,500</td>
<td>$306K</td>
<td>$0</td>
<td>16</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$330 - $470</td>
<td>$1,900</td>
<td>$370K</td>
<td>$0</td>
<td>19</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$330 - $470</td>
<td>$2,700</td>
<td>$304K</td>
<td>$0</td>
<td>13</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend, 2021 graduate. All figures approximate.

### Other Considerations

- **Eligible Loans**
  - Direct Loans
  - Stafford Loans
- **Eligible Payments**: myfedloans.org
- **Eligible Employment**: PAYE, REPAYE

### Public Service Loan Forgiveness

<table>
<thead>
<tr>
<th>Eligible Loans</th>
<th>Eligible Payments</th>
<th>Eligible Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loans Only</td>
<td>myfedloans.org</td>
<td>PAYE, REPAYE</td>
</tr>
</tbody>
</table>
Loan Forgiveness – Taxable?

Yes
Income-Driven Plans

No
Public Service Loan Forgiveness

Public Service Loan Forgiveness

Dr. Peds: Borrowed $160,000. Starting salary $165,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years – Including Residency</th>
<th>Post-Residency Payment Range</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>10</td>
<td>$1,300 – $1,500</td>
<td>$131K</td>
<td>$137K</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>10</td>
<td>$1,300 – $1,500</td>
<td>$131K</td>
<td>$126K</td>
</tr>
</tbody>
</table>

Loan Forgiveness and Repayment Assist.

Consolidation Vs. Refinancing

Should I consolidate or refinance?

Should You Consolidate?

Should I Refinance?

Consolidation Quiz

Should I Refinance Quiz
Taxpayer Relief Act of 1997*

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>NO Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$70,000 or less</td>
<td>$70,001 to $84,999</td>
<td>$85,000 or more</td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td>$140,000 or less</td>
<td>$140,001 to $169,999</td>
<td>$170,000 or more</td>
</tr>
</tbody>
</table>

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

May be eligible: Voluntary payments & capitalization

*Student Loan Interest Deduction (1/2020)