

Association of

American Medical Colleges

### **Repayment Strategies for Medical School Graduates**

**Texas Tech University Health Sciences Center** 

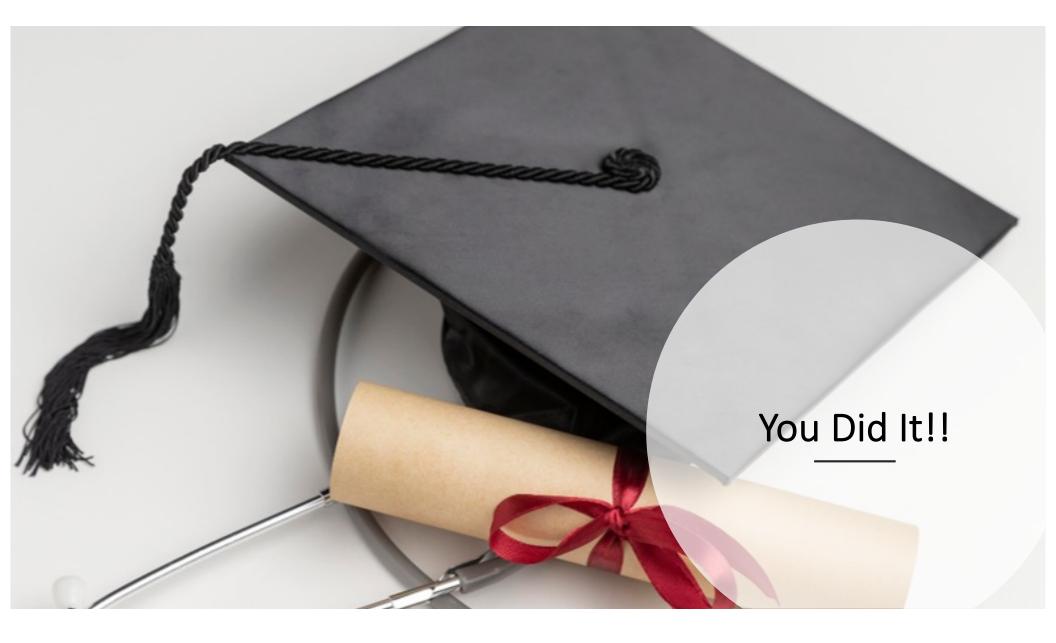
Julie Fresne

Senior Director, Student Financial and Career Advising Servicing

March 24, 2023

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2023 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.

Learn Serve Lead









What's going on with Covid relief and the Biden/Harris administration forgiveness

Where can you access your loan information?

What should you do if your undergraduate loans don't have a grace period? What should you do if you can't make payments during residency?



How do you know if you want/need to consolidate after graduation? ?





What is the difference between refinancing and consolidating? How do you know if you will qualify for PSLF and how do you start the process? Which repayment plan is best for you?



### What's Going On With Student Loans?

## Biden-Harris Administration's Federal Student Debt Relief Plan

- One-time forgiveness of \$10,000 for individuals earning under \$125,000/yr. (\$250,000 for joint tax filers) and up to \$20,000 for Pell Grant recipients
- Includes current students and borrowers with federal undergraduate and graduate loans (including Grad PLUS Loans) disbursed before June 30, 2022
- Borrowers may automatically receive relief based on available income data
- Application is currently unavailable due to legal filings



Home > Debt Relief Announcement

What the program means for you, and what comes next

The Biden Administration's Student Loan Debt Relief Plan

Beware of Scams

#### The Biden-Harris Administration's Student Debt Relief Plan Explained

English | Español

Student Loan Debt Relief Is Blocked

Courts have issued orders blocking our student debt relief program. As a result, at this time, we are not accepting applications. We are seeking to overturn those orders.

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ed.gov/subscriptions

Preparing for Repayment to Resume

Payment Amount and Due Date

Frequently Asked Questions (FAQs)

COVID-19 and Federal Student Aid Info

Beware of Scams

Additional Resources and Information

#### **COVID-19 Emergency Relief and Federal Student Aid**

Here, you can find information about COVID-19 relief for federal student loans. This relief includes a suspension of loan payments, a 0% interest rate, and stopped collections on defaulted loans.

Which Loans Are Eligible

#### **Student Loan Payment Pause Extended**

The student loan payment pause is extended until the U.S. Department of Education is permitted to implement the debt relief program or the litigation is resolved. Payments will restart 60 days later. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 — payments will resume 60 days after that. We will notify borrowers before payments restart.

### Learn More

### studentaid.gov/coronavirus





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# What Kind of Loans do You Have?



FAFSA<sup>®</sup> Form  $\sim$ 

Loans and Grants

Loan Repayment ~ L

Loan Forgiveness 🗸

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Apply for Aid Using the FAFSA Form



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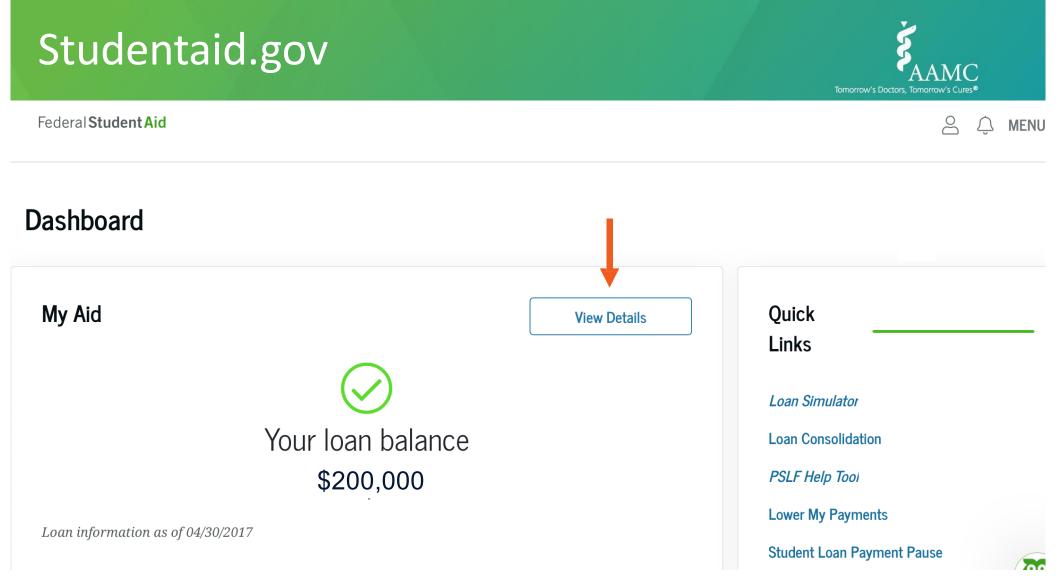
Learn About Student Loan Debt Relief >

Prepare for Loan Payments to Restart >

Complete a Master Promissory Note (MPN) >

## Find Your Federal Loans

studentaid.gov



#### Subsidized

Government pays the interest while the student is enrolled at least half-time, during deferment, and during certain other periods of time

#### **Subsidized Loan Examples**

**Direct Subsidized Loans** 

Loans for Disadvantaged Students (LDS)

**Primarcy Care Loans (PCL)** 

**Perkins** 

#### Unsubsidized

Borrower is responsible for the interest that accrues on the loan from the time the loan is disbursed

**Unsubsidized Loan Examples** 

**Direct Unsubsidized Loans** 

**Direct Grad PLUS Loans** 

**Private or Alternative Loans** 



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2023 Medical School Graduates	Federal Student loan relief mesures were implemented on March 13, 2020. Interest rates are anticipated to continue at 0% through June 30, 2023. Starting July 1, 2023, interest rates will revert to the original interest rate based upon the academic year when the loan was originally disbursed.		
Interest Rates for Federal Student Loans	Direct Unsubsidized Loan	Direct PLUS Loan	
M1 (2019 – 2020)	6.08%	7.08%	
M2 (2020 – 2021)	4.30%	5.30%	
M3 (2021 – 2022)	5.28%	6.28%	
M4 (2022 – 2023)	6.54%	7.54%	



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## aamc.org/mloc

# Loan Servicing



# Grace Period



### Options for loans without a Grace Period

- Can postpone payment with a deferment or forbearance alignment (used to coordinate payment dates with med school loans)
- Enter repayment



Federal Consolidation and/or Refinancing

# What Else Might You Need To Consider AT Graduation?



# Federal Loan Consolidation

#### What Is It?

A new federal loan that pays off all previously borrowed federal loans

#### **Interest Rate**

Will be a weighted average of all the combined loans and the rate will be rounded up to the next 1/8<sup>th</sup> of 1 percentage point

### **Reasons To Consolidate?**

Do you have multiple servicers?

Do you want to enroll in an IDR plan and start repayment before your 6-month grace period is over? Do you have loans that aren't currently eligible for PAYE or REPAYE

or Public Service Loan Forgiveness?



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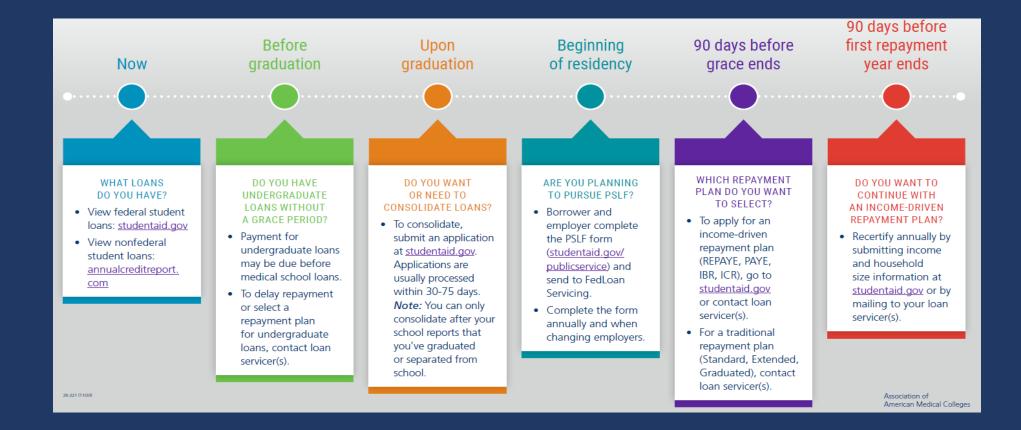
# **Refinanced Loans**

- Are not government owned
- Not eligible for Income-Driven Repayment (IDR) Plans
- Not eligible for Public Service Loan Forgiveness



- Postponement during residency?
- Fixed or variable interest rate?
- Cosigner needed?
- Cosigner releasement?

### Student Loan Repayment Timeline



Are You A Good Candidate For Public Service Loan Forgiveness (PSLF)?





#### Public Service Loan Forgiveness

1. Check to see if you work for a qualifying employer

2. Complete the PSLF when you start your residency program

3. Have your employer complete the employer section of the PSLF form

4. Submit the PSLF form annually and when (or if) you change employment



#### FAFSA<sup>®</sup> Form $\sim$

Loan Repayment ~ Loan Forg

#### Loan Forgiveness ~

#### Log In | Create Account

#### Complete the Public Service Loan Forgiveness (PSLF) Form With the PSLF Help Tool

Use the PSLF Help Tool to confirm you're eligible and fill out and submit your PSLF form.

Using the PSLF Help Tool

PSLF is different from the one-time student loan debt relief of up to \$20,000. PSLF

### PSLF Help Tool

studentaid.gov/pslf



# Are There Other Loan Forgiveness Programs?



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National Institutes of Health













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**Tomorrow's Doctors, Tomorrow's Cures** 

#### Loan Repayment/Forgiveness/Scholarship and Other Programs

#### Loan Repayment/Forgiveness/Scholarship and Other Programs

Welcome to the State and Federal Loan Repayment, Forgiveness, Scholarship, and Other Programs database. This searchable database provides detailed information about many of the state and federal programs available to medical and other health professions students.

Please note this compilation of listings is not exhaustive. Your medical school advisor or financial aid advisor may have information regarding additional resources that are not listed here.

Key word search Search List All Programs

#### **Total Number of All Programs: 70**

Program	State/Other	Designation	Туре
	All State/Other	✓ All Designation ✓	All Type 🗸 🗸
Arizona Loan Repayment Program	Arizona	State	Repayment
Board of Medical Scholarship Awards	Alabama	State	Scholarship
CalHealthCares	California	Federal	Repayment
California State Loan Repayment Program	California	Federal	Repayment
Colorado Health Service Corps Loan Repayment Program	Colorado	Federal/State	Repayment

AAMC's Loan Repayment, Forgiveness, and Scholarship Database

### aamc.org/stloan





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## **Now - Begin Repayment**

#### What does this mean?

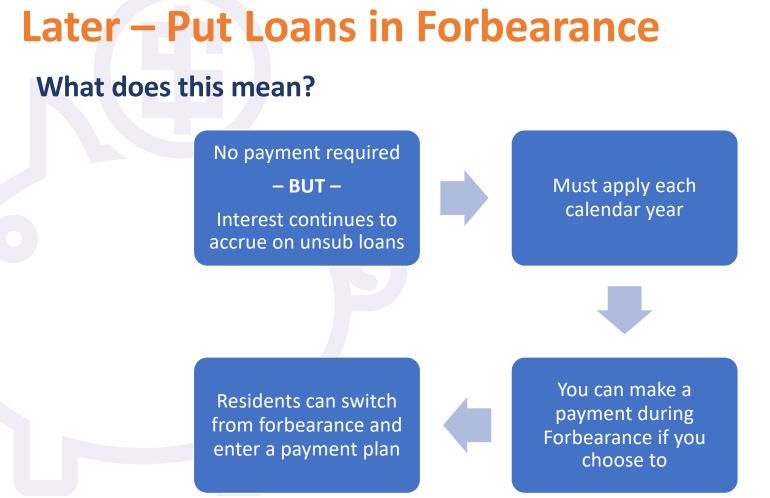
Enter repayment – Servicer should reach out 60-90 days before Payments can be based on your income – not your debt

If you have trouble making payment you can switch to Forbearance

You can overpay at any time without penalty



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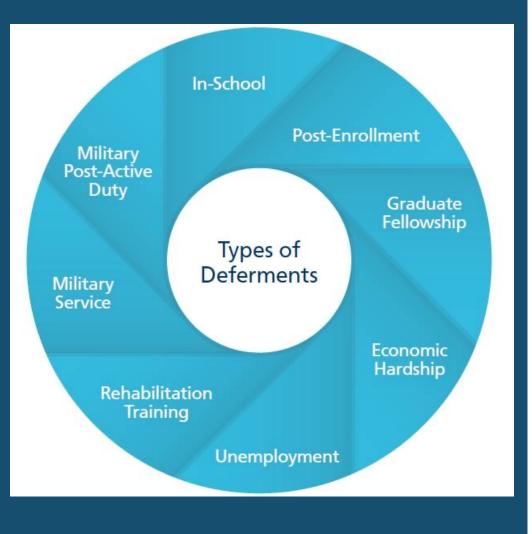




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# Deferment

- Way to postpone payments
- Strict eligibility requirements



# Traditional Repayment Plans

Base your monthly payment on the amount you owe and repayment term



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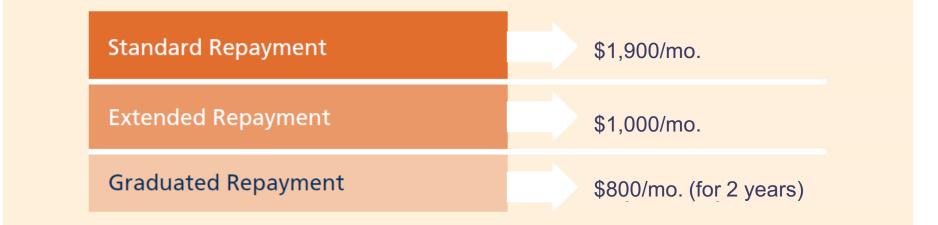
# **Traditional Repayment Plans**



Standard Repayment	10-year repayment term
Extended Repayment	25-year repayment term
Graduated Repayment	10-year repayment term

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# **Traditional Repayment Plans**



Based on 2023 graduate borrowing and entering repayment after grace period ends. Numbers are estimated, rounded and reflect COVID-19 administrative forbearance period (3/13/20 through 6/30/23). Note: Monthly payment for graduated plan will increase every two years.

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**Traditional Plans** 

## **Income-Driven Repayment Plans**

Income-Contingent Repayment (ICR)\$800/ mo..Income-Based Repayment (IBR)\*\$510/ mo..Pay As You Earn (PAYE)\$330/ mo..Revised Pay As You Earn (REPAYE)\$330/ mo..

Based on 2023 graduate entering repayment after grace period ends. Monthly payment is based on resident stipend of \$61,400. Numbers are estimated and rounded. \* Borrowers with loans disbursed before 7/1/2014 are eligible for the IBR payment shown above; borrowers with loans disbursed after 7/1/2014 would qualify for "new" IBR and the payment would mirror the PAYE payment above.

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# Income – Dirven Repayment (IDR) Plans

#### SECTION 4B: INCOME INFORMATION FOR SINGLE BORROWERS AND MARRIED BORROWERS TREATED AS SINGLE

11. Has your income significantly decreased since you filed your last federal income tax return?

For example, have you lost your job, experienced a drop in income, or gotten divorced, or did you most recently file a joint return with your spouse, but you have since become separated or lost the ability to access your spouse's income information?



Yes - Continue to Item 12.

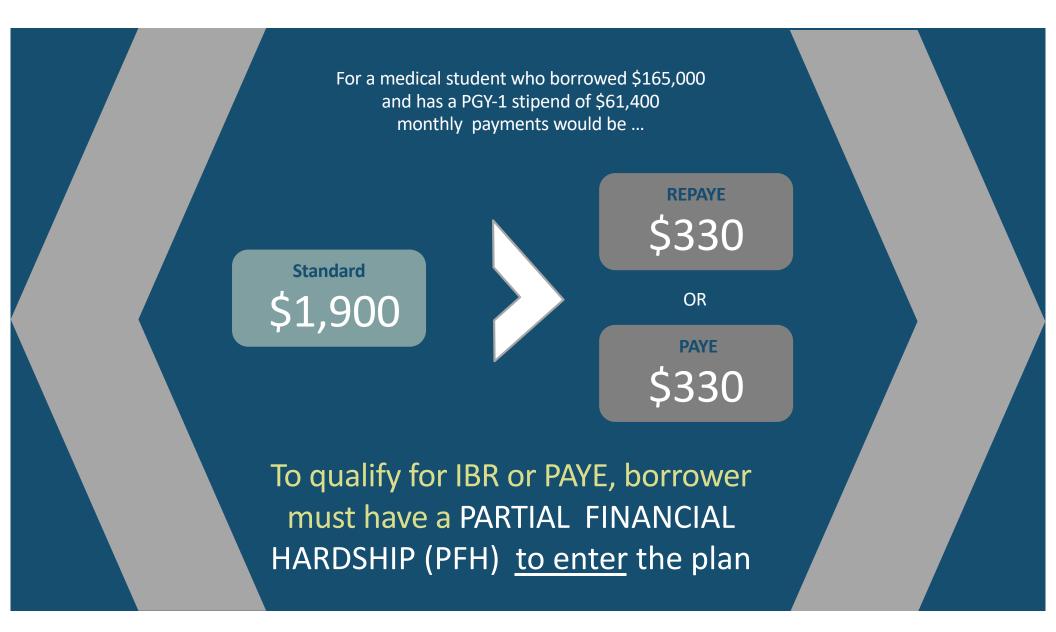
- No Provide your most recent federal income tax return or transcript. Skip to Section 6.
- I haven't filed a federal income tax return in the last two years Continue to Item 12.

#### 12. Do you currently have taxable income?

Check "No" if you do not have any income or receive only untaxed income.

- Yes Provide documentation of your income as instructed in Section 5. Skip to that section.
- No You are not required to provide documentation of your income. Skip to Section 6.

Note: Remember, any person who knowingly makes a false statement or misrepresentation on this form can be subject to penalties including fines, imprisonment, or both.



### Income – Driven Repayment (IDR) Plans

	PAYE	REPAYE
Eligibility	"New" borrowers"	All borrowers
Partial Financial Hardship (PFH)	Yes	No
Payment Amount	10% of discretionary income	10% of discretionary income
Payment Terms	20 years	25 year
Forgiveness	Yes	Yes
Payment Cap	Yes	No
Spouse's Income	Yes – if filing jointly	Yes
Subsidy	Yes, on sub loans – 3 years	Yes – 50% of unpaid interest

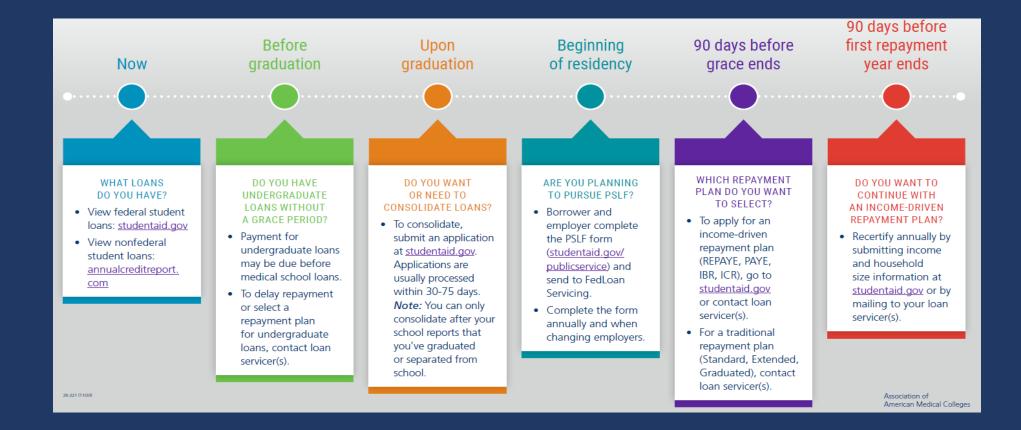
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## **REPAYE's Subsidy**

Principal Borrowed	Interest Per Month During Residency		Monthly Payment (REPAYE)
\$165K	\$800/mo		\$330/mo
Monthly Interest Durin Monthly Payment Dur	<b>.</b> ,	\$ 800 - <u>\$ 330</u> \$ 470	
Subsidy is 50% of the of Subsidized amount	unpaid interest	\$470/2 =\$235	

10

#### Student Loan Repayment Timeline





Career: Family Practice Residency Length: 3yrs Starting Residency Stipend: \$61,400 Post Residency Starting Salary: \$200,000 (2022\$) Net Monthly Income: residency \$4,000 post residency \$12,000

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#### Dr. Family Practice – 3 Year Residency

Student Loan Debt: \$165,000 Net Monthly Income: \$12,000					
Repayment Plan	Payment During Residency 3yrs	Post- Residency Payment	Total Repayment Amount	Forgiven	Total Years including Residency
Forbearance then Standard	\$0	\$2,200	\$262K	\$0K	13
Pay As You Earn (PAYE)	\$330 - \$370	\$1,600 - \$1,900 (12yrs)	\$272K	\$0K	15
Revised PAYE (REPAYE)	\$330 - \$370	\$1,600 – \$2,000 (11yrs)	\$259K	\$0K	14

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2023 Graduate. All figures approximate

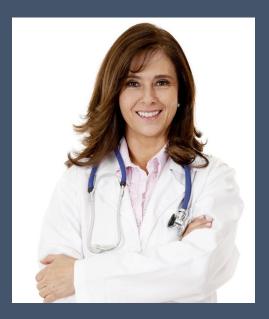
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#### Dr. Family Practice – 3 Year Residency

Student Loan Debt: \$250,000 Net Monthly Income: \$12,000					
Repayment Plan	Payment During Residency 3yrs	Post- Residency Payment	Total Repayment Amount	Forgiven	Total Years including Residency
Forbearance then Standard	\$0	\$3,200	\$389K	\$0K	13
Pay As You Earn (PAYE)	\$330 - \$370	\$1,600 - \$2,300 (17yrs)	\$406K \$445K	\$118K	20
Revised PAYE (REPAYE)	\$330 - \$370	\$1,600 – \$2,500 (20yrs)	\$502K	\$0K	23

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2023 Graduate. All figures approximate

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Career: Cardiology Residency Length: 6yrs Starting Residency Stipend: \$61,400 Post Residency Starting Salary: \$325,000 (2022\$) Net Monthly Income: residency \$4,000 post residency \$20,000

#### Dr. Cardiology– 6 Year Residency

Student Loan Debt: \$165,000 Net Monthly Income: \$20,000					
Repayment Plan	Payment During Residency 6yrs	Post- Residency Payment	Total Repayment Amount	Forgiven	Total Years including Residency
Forbearance then Standard	\$0	\$2,300	\$280K	\$0K	16
Pay As You Earn (PAYE)	\$330 - \$450	<b>\$1,900</b> (12yrs)	\$300K	\$0K	18
Revised PAYE (REPAYE)	\$330 - \$450	\$2,900 – \$3,300 (6yrs)	\$249K	\$0K	12

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2023 Graduate. All figures approximate

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#### Dr. Cardiology– 6 Year Residency

Student Loan Debt: \$250,000 Net Monthly Income: \$20,000					
Repayment Plan	Payment During Residency 6yrs	Post- Residency Payment	Total Repayment Amount	Forgiven	Total Years including Residency
Forbearance then Standard	\$0	\$3,600	\$433K	\$0K	16
Pay As You Earn (PAYE)	\$330 - \$450	<b>\$2,900</b> (13 yrs)	\$481K	\$0	19
Revised PAYE (REPAYE)	\$330 - \$450	\$2,900 – \$3,600 (10yrs)	\$415K	\$0K	16

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2023 Graduate. All figures approximate

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#### Dr. Cardiology – 6-year residency \$2K/month Extra Payment

#### Student Loan Debt: \$250,000 Net Monthly Income: \$20,000

Repayment Plan	Payment During Residency (6 yrs)	Post- Residency Payment	Total Repayment Amount	Forgiven	Total Years including Residency
Forbearance then Standard	\$0	\$3,600	\$433K	\$0K	16
Forbearance then \$2k extra/mo	\$0	\$5,600	\$386K	\$0K	10
REPAYE plus extra \$2K/mo	\$330 - \$470	\$4,900 - \$5,300 (6 yrs) vs. \$2,900 - \$3,600	\$372K	\$0K	<b>12</b> vs.18

Note: Based on PGY-1 median stipend and MGMA starting salaries – 2022 Graduate. All figures approximate



#### **Public Service Loan Forgiveness Starting Salary \$185,000**





#### **Public Service Loan Forgiveness Starting Salary \$185,000**





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# Budgeting in your Loan Lefe Payment

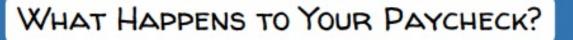
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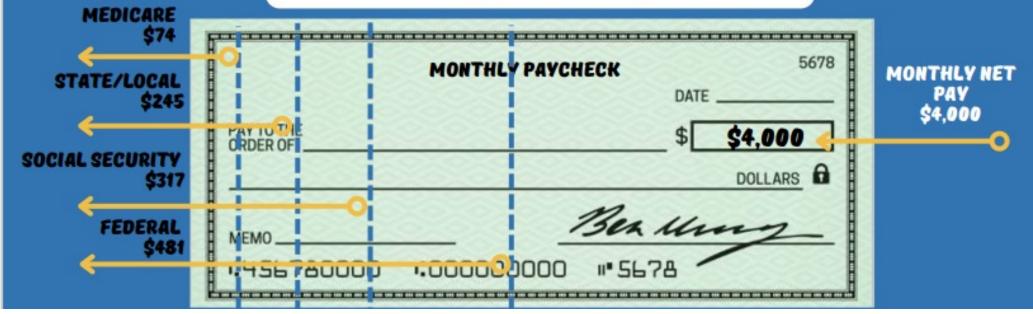
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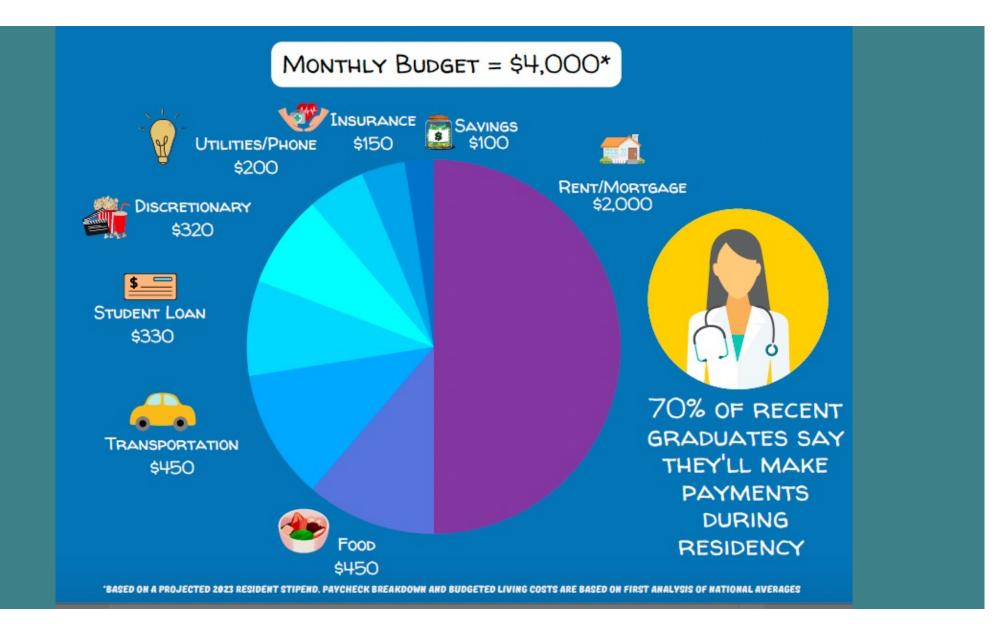


#### LIVING ON A RESIDENT BUDGET





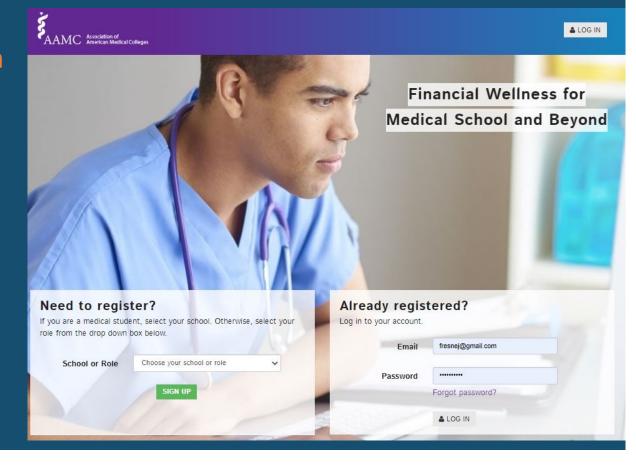






# aamc.org/financialwellness

- Measure your financial health and get personalized recommendations
- Complete online courses
- Assess your risk of identity theft, create financial goals and a spending plan, track your expenses, and more



## **Upcoming Webinars**

Picking the Right Insurance Plan 1/27/2023	Home Financing vs Renting for Graduates 2/22/2023	Filing Taxes as a Medical Student - 3/31/2023	Repayment Strategies for Graduating Medical School Students - 4/28/2023
Preparing for Your Financial Life After Med School 5/4/2023	Money Management for Entering Med Students - 6/22/2023	MLOC Demo Session 7/28/2023	Pre-Medical School Discussion - 8/25/2023

\*Dates and topics are subject to change

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