# Student Loans and Debt Management

**Nicole Knight, MBA**  
AAMC

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2013 and are subject to change. These are estimates only. Students should always contact their servicer(s) to discuss exact loan balances and repayment options.

## Class of 2012 Indebtedness

<table>
<thead>
<tr>
<th></th>
<th>Public Schools</th>
<th>Private Schools</th>
<th>All Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td>$155,978</td>
<td>$183,066</td>
<td>$166,750</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>$160,000</td>
<td>$190,000</td>
<td>$170,000</td>
</tr>
</tbody>
</table>

86% of class report having educational debt  
62% of class report debt $150,000 or higher

Source: FIRST analysis of AAMC 2012 GQ data. Education debt figures include premedical debt.

## Education Debt – Class of 2012

### Vanderbilt SOM Median Education Debt

<table>
<thead>
<tr>
<th></th>
<th>Median Education Debt</th>
<th>% with Education Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Debt</td>
<td>$160,000</td>
<td>72%</td>
</tr>
<tr>
<td>Non-Education Debt</td>
<td>$10,000</td>
<td></td>
</tr>
</tbody>
</table>

Source(s): 2012 Graduation Questionnaire and LCME I-B data

## Have a Spending Plan

**www.mint.com**

## Agenda

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

**www.aamc.org/FIRST**  
**www.mint.com**
Finding Your Federal Loans

To access, provide:
- SSN
- Date of Birth
- First 2 letters of last name
- FAFSA PIN (www.pin.ed.gov)

www.nslds.ed.gov

Finding Federal Servicers

Contact FSA at:
- 1-800-433-7327
- Or email: fsa.customer.support@ed.gov

www.studentaid.ed.gov

Loan Repayment Timeline

Refer to page 13

Interest Rates

Refer to page 12

Subsidized vs. Unsubsidized

Sub•si•dy [sub-si-dee] noun -
Financial assistance granted by the government to cover accruing interest while in-school, in grace, or in a qualifying deferment.

Source: www.dictionary.com

Capitalization

Addition of unpaid interest to the principal

$150,000 + $21,500 = $171,500

Principal + Interest = Larger Principal

* Based on estimates; loan types and rates will affect this number.
Repayment Strategy
Pay the interest on unsubsidized loans PRIOR to capitalization

Options During Residency

Introducing Dr. Median
Most likely options during residency
#1 Pay Later
#2 Pay Now
#3 Seek Forgiveness or Assistance

Postpone Payments

Postponement Options
Refer to page 15-16

Deferment Forbearance

Forbearance
Mandatory Medical Residency/Internship
Used to postpone payments
Interest accumulates on sub and unsub loans
Requested annually from lender
Continuous periods may avoid capitalization*

*Check your servicer's capitalization policy
**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>$171K</td>
<td>$42K</td>
<td><strong>$213K</strong></td>
</tr>
</tbody>
</table>

**Repayment Plans**

Dr. Median’s repayment of $213K after residency:

<table>
<thead>
<tr>
<th>Plan</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>$2,500</td>
<td>$145K</td>
<td>$295K</td>
</tr>
<tr>
<td>Extended</td>
<td>25</td>
<td>$1,500</td>
<td>$294K</td>
<td>$444K</td>
</tr>
</tbody>
</table>

**Payments during Residency**

- Standard: $2,000/mo
- Extended: $1,200/mo
- Pay As You Earn: $2,800/mo

**Estimated Monthly Payment Amounts**

- Pay As You Earn & IBR

**Benefits**

- Pay As You Earn
  - Lowest payments
  - Partial subsidy ($1,400)
  - Capped max. payment
  - Forgiveness (25-Yr PSLF)
  - Delayed capitalization

- IBR
  - Lowest payments
  - Partial subsidy ($3,600)
  - Capped max. payment
  - Forgiveness (20-Yr PSLF)
  - Limited and delayed capitalization
**Pay As You Earn & IBR**

**Eligibility**

1) Have a Partial Financial Hardship
2) Borrowed a Direct Loan on or after Oct 1, 2011
3) Owed no federal loans on Oct 1, 2007

* Consolidation ONLY necessary for Perkins and LDS loans

**Formula for a Partial Financial Hardship (PFH):**

\[
\text{PAYE or IBR pymt} > \frac{\text{Standard payment}}{2,000} \times \text{mo*} > \frac{\text{Max payment}}{420} \times \text{mo*}
\]

- More likely to occur when income is lower and debt is higher
- Max payment is the Standard amount*
- 1st post-M.D. year median stipend is $49,651

*Preliminary data from AAMC Survey of R/F Stipends and Benefits and AAMC Analysis

**To enter Pay As You Earn or IBR, you must**

Contact each servicer individually to request
Give access to household AGI* (tax records)
Annually inform servicer(s) of family size
Demonstrate a Partial Financial Hardship (PFH)

*As reported to the IRS. Annual verification is required of both AGI and family size.

**Online Calculators**

- finaid.org
- Studentaid.ed.gov
- aamc.org/FIRST

Determined by Calculating

10% (Pay As You Earn) or 15% (IBR) of income that exceeds 150% of the poverty line for a borrower’s family size

**Plan Yrs**

<table>
<thead>
<tr>
<th>Plan</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>$1,800-2,000</td>
<td>$164K</td>
<td>$314K</td>
<td>$0K</td>
</tr>
<tr>
<td>IBR</td>
<td>$2,000</td>
<td>$154K</td>
<td>$304K</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Starting salary $200,000
Forgiveness or Assistance

Other programs listed at AAMC website:
- www.aamc.org/stloan
- NIH Loan Repayment Programs:
  - www lrp.nih.gov
- NHSC Repayment Program:
  - www.nhsc.hrsa.gov/loanrepayment

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, 3 during residency, 7 after
- Has PFH for the all 10 years
- Qualifies for Public Service Loan Forgiveness

Dr. Median’s loans after 10-years of public service:
- Total Paid (IBR) $160K*
- Total Forgiven (IBR) $117K
- Total Paid (PAYE) $107K*
- Total Forgiven (PAYE) $177K

*starting salary $130,000

The FIRST Stop...

Medloans® Organizer and Calculator
- Organize and keep track of your student loan information
- Create repayment strategies using the calculator
- Use the only calculator designed specifically for medical students

...the Medloans Calculator is pretty darned useful. Job well done!"
Other Considerations

Federal Loan Consolidation

When to consider consolidation:

- Multiple servicers to repay
- To obtain Public Service Loan Forgiveness (DL)
- To make Perkins or LDS Loans eligible for IBR

SHOULD YOU CONSOLIDATE? SEE PAGE 44-45!

Effects of consolidating

A longer term will increase the interest costs
Possibly a higher interest rate
A new loan with new benefits
May negatively affect subsidies, grace, deferment, cancellation or forgiveness options

FOR MORE ON THE EFFECTS, SEE PAGE 42-43!

Taxpayer Relief Act of 1997

Refer to page 46

Limited to first 60-months of repayment
Student loan interest deduction max $2,500 per year
Voluntary payments & capitalization may be eligible

www.irs.gov/publications/p970

The Next Steps

Refer to page 49

The Value of an MD Degree
Value of an M.D. Degree

<table>
<thead>
<tr>
<th>B.A. Business</th>
<th>M.D. Internal Medicine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Age</td>
<td>22</td>
</tr>
<tr>
<td>Starting Salary</td>
<td>$40,000</td>
</tr>
<tr>
<td>Savings at 65</td>
<td>?</td>
</tr>
</tbody>
</table>

Assumptions: Salaries grow at 3.5% per year, savings grow at 8% annually
B.A.: Annual savings rate = 5% (25 to 34), 10% (35 to 65). Works 44 yrs
M.D.: Annual savings rate = 2% (30 to 39), 10% (40 to 65). Practice for 36 yrs

Value of an M.D. Degree

In $ Thousands

Starting Age 22 30
Starting Salary $40,000 $172,000
Savings at 65 $1.5M $3.1M

Assumptions: Salaries grow at 3.5% per year, savings grow at 8% annually
B.A.: Annual savings rate = 5% (25 to 34), 10% (35 to 65). Works 44 yrs
M.D.: Annual savings rate = 2% (30 to 39), 10% (40 to 65). Practice for 36 yrs

“An investment in knowledge always pays the best interest”
- Benjamin Franklin
Questions?
FIRST@aamc.org

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