Student Loans and Repayment Strategies
Prepared for the Graduating Class of 2016
Nicole Knight, MBA
AAMC

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2016 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.

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Online Resource
Education Debt Manager (EDM)
www.aamc.org/first/graduating-edm

Agenda
Know Your Loan Portfolio
After Graduation
Repayment Strategies
Other Considerations

Know Your Loan Portfolio

Class of 2015 Indebtedness
Median MD School Debt: $183,000

$180,000
PRIVATE
$200,000

81% of class report having educational debt
45% report debt of $200,000 or higher

Education Debt (median)
$183,000
Non-Federal Debt (avg)
$8,800
Vanderbilt SOM

Source: AAMC 2015 Graduate Questionnaire (GQ)

For log-in questions, visit www.fsisid.ed.gov

Finding Your Federal Loans
To access, provide your FSA ID:
Username & Password

www.nslds.ed.gov
### Subsidized Versus Unsubsidized

<table>
<thead>
<tr>
<th>Subsidized</th>
<th>Unsubsidized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Subsidized</td>
<td>Direct Unsubsidized</td>
</tr>
<tr>
<td>Perkins Loans*</td>
<td>Direct PLUS</td>
</tr>
<tr>
<td>Primary Care Loans</td>
<td>Institutional Loans (undergrad)</td>
</tr>
<tr>
<td>Loans for Disadvantaged Students*</td>
<td>Consolidation Loans (outstanding unsubsidized loans)</td>
</tr>
</tbody>
</table>

### Fixed Interest Rates for the Class of 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Subsidized</th>
<th>Direct Unsubsidized</th>
<th>Perkins</th>
<th>Direct PLUS</th>
<th>Direct Unsubsidized</th>
<th>Direct PLUS</th>
<th>Perkins</th>
<th>Direct PLUS</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.4%</td>
<td>6.41%</td>
<td>5.4%</td>
<td>5.41%</td>
<td>4.6%</td>
<td>4.61%</td>
<td>6.4%</td>
<td>6.41%</td>
</tr>
<tr>
<td>2013</td>
<td>6.5%</td>
<td>6.51%</td>
<td>5.5%</td>
<td>5.51%</td>
<td>4.7%</td>
<td>4.71%</td>
<td>6.5%</td>
<td>6.51%</td>
</tr>
<tr>
<td>2014</td>
<td>6.6%</td>
<td>6.61%</td>
<td>5.6%</td>
<td>5.61%</td>
<td>4.8%</td>
<td>4.81%</td>
<td>6.6%</td>
<td>6.61%</td>
</tr>
<tr>
<td>2015</td>
<td>6.7%</td>
<td>6.71%</td>
<td>5.7%</td>
<td>5.71%</td>
<td>4.9%</td>
<td>4.91%</td>
<td>6.7%</td>
<td>6.71%</td>
</tr>
<tr>
<td>2016</td>
<td>6.8%</td>
<td>6.81%</td>
<td>5.8%</td>
<td>5.81%</td>
<td>5.0%</td>
<td>5.01%</td>
<td>6.8%</td>
<td>6.81%</td>
</tr>
</tbody>
</table>

### Capitalization

**Addition of unpaid interest to the principal**

\[ \text{Principal} + \text{Interest} = \text{Larger Principal} \]

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Borrowed</th>
<th>Interest</th>
<th>Debt after Grace</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$140K</td>
<td>$23K</td>
<td>$163K</td>
</tr>
<tr>
<td>2013</td>
<td>$180K</td>
<td>$29K</td>
<td>$209K</td>
</tr>
<tr>
<td>2014</td>
<td>$200K</td>
<td>$33K</td>
<td>$233K</td>
</tr>
<tr>
<td>2015</td>
<td>$250K</td>
<td>$42K</td>
<td>$292K</td>
</tr>
<tr>
<td>2016</td>
<td>$300K</td>
<td>$52K</td>
<td>$352K</td>
</tr>
</tbody>
</table>

### Repayment Tips

1. **Verify payment was applied as requested.**
2. **When possible, pay the interest on your loans before they capitalize!**

### Capitalization for the Class of 2016

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<thead>
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After Graduation

Grace

The path for some loans

Loan Repayment Timeline

Refer to pages 17-18

www.aamc.org/first/timeline

Decision Time: Post-Graduation

Postpone Payments

Postponement Options

Refer to pages 19-20

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

Postponement Options

Refer to page 19

Medical Residency Forbearance

Postpones payments in annual increments

Capitalization may occur at end of residency

An option for medical residents/interns

NOTE: Request increments in a timely manner to avoid unnecessary capitalization.
Forbearance

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>$163K</td>
<td>$39K</td>
<td>$199K</td>
</tr>
</tbody>
</table>

TOTAL

Repayment Plans

Traditional

- Standard: 10 Years → $1,800/mo
- Extended: 20 Years → $1,000/mo
- Graduated: 10 Years → $830/mo

Income-Driven

- $690/mo: Income-Contingent Repayment (ICR)
- $440/mo: Income-Based Repayment (IBR)
- $300/mo: Pay As You Earn (PAYE)
- $300/mo: Revised Pay As You Earn (REPAYE)

Know Your Numbers

www.aamc.org/medloans

A free tool for MD students and graduates!

Medical Residency/Internship Forbearance

Is it a Good Option for Medical Residents and Interns?

- Partial Financial Hardship
- Educational Loans
- Other

IDR Plans Eligibility: Eligible Loans

- ICR
- IBR
- PAYE
- REPAYE

IDR Plans Eligibility: Financial Need

- Must have a Partial Financial Hardship (PFS)
- Other

Medical Residents and Interns?

- Seeking to REDUCE stress
- Have PRIVATE loans with higher interest rates

Is it a Good Option for MD students and graduates?

- Want to begin repayment
- Want to show Need
- Must have a Payment Assistance Plan (PAP)
- Want to show Income for PFS

Is it a Good Option for MD students and graduates?

- Partial Financial Hardship
- Educational Loans
- Other

Is it a Good Option for MD students and graduates?

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Is it a Good Option for MD students and graduates?

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- Educational Loans
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Revised Pay As You Earn (REPAYE)

- Based on
- other

Pay As You Earn (PAYE)

- Based on
- other

Income-Driven Repayment (IDR)

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- other

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Pay As You Earn (PAYE)

- Based on
- other

Income-Driven Repayment (IDR)

- Based on
- other

Is it a Good Option for MD students and graduates?
Standard Payment

Partial Financial Hardship (PFH)

PAYE or IBR Payment

$1,800/mo

$440 (IBR) or $300 (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)

The Test for a PFH

Refer to page 25

Based on indebtedness of $183,000 with a PGY1 stipend of $53,300 and a family size of one.

Eligible Loans

IDR Plans Eligibility: New Borrowers Only

NEW Borrower

Show Need

Eligible Loans

IBR

PAYE

REPAYE

ICR

NEW Borrower

Show Need

Eligible Loans

“New Borrower” Defined

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/after October 1, 2011

Two Requirements

AND

Income-Driven Repayment (IDR)

IBR - PAYE - REPAYE

Based on

Previous Year’s Household AGI

Tax Return of “Zero” is Accepted

Self Certify Zero Taxable Income

Self Certify No Significant Change

Payment of $0 for 12 Months

Develop Your Own “Best” Strategy

It’s not about the best one

It’s about what fits with your life and financial goals

The Best Repayment Strategies

Each WILL go or depending on your decisions

MONTHLY COST

FORCES

TIME

TOTAL COST

FORCES

TIME

Dr. Primary Care

Career: Internal Medicine

Residency Length: 3 years

Post-Residency Salary: $180,000

Post-Residency Monthly Income: $10,400/mo

Dr. Primary Care

Student Loan Debt: $125,000

Repayment Plan

Total Loan Amount

Forgiven

Preference Non Standard

13 $1,900 $292K $0
<table>
<thead>
<tr>
<th>Dr. Primary Care</th>
<th>Dr. ObGyn</th>
<th>Dr. OB/GYN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Loan Debt:</strong> $250,000</td>
<td><strong>Career:</strong> Obstetrics &amp; Gynecology</td>
<td><strong>Student Loan Debt:</strong> $183,000</td>
</tr>
<tr>
<td><strong>Repayment Plan</strong></td>
<td><strong>Residency Length:</strong> 4 years</td>
<td><strong>Career:</strong> Cardiology</td>
</tr>
<tr>
<td><strong>Total Years – Including Residency</strong></td>
<td><strong>Post-Residency Salary:</strong> $230,000</td>
<td><strong>Student Loan Debt:</strong> $183,000</td>
</tr>
<tr>
<td>Forbearance then Standard</td>
<td><strong>Post-Residency Monthly Income:</strong> $12,600/mo</td>
<td><strong>Residency Length:</strong> 6 years</td>
</tr>
<tr>
<td>19</td>
<td><strong>Total Repayment Amount</strong></td>
<td><strong>Post-Residency Salary:</strong> $330,000</td>
</tr>
<tr>
<td>$3,400</td>
<td><strong>Forgiven</strong></td>
<td><strong>Post-Residency Monthly Income:</strong> $18,000/mo</td>
</tr>
<tr>
<td>Pay As You Earn (PA YE)</td>
<td><strong>Range</strong></td>
<td><strong>Range</strong></td>
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<tr>
<td>20</td>
<td><strong>Total Repayment Amount</strong></td>
<td><strong>Total Repayment Amount</strong></td>
</tr>
<tr>
<td>$1,500 – 2,400</td>
<td>$377K</td>
<td>$381K</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td><strong>Forgiven</strong></td>
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</tr>
<tr>
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<th>The FIRST Stop</th>
<th>Other Considerations</th>
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<td><strong>Student Loan Debt:</strong> $135,000</td>
<td><strong>Medloans® Organizer and Calculator</strong></td>
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<td><strong>Repayment Plan</strong></td>
<td><strong>A tool for graduates!!</strong></td>
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Dr. Median pursues Public Service:
- Pediatrician at a community health center
- PAYE for 10 years (3yr. Res + 7yrs. after)
- Has FFH for all 10 years
- Qualifies for Public Service Loan Forgiveness

Dr. Median’s loans after 10 years of public service:
- Total Paid (PAYE) ........................................ $104K*
- Total Forgiven (PAYE) ................................. $158K
- Total Paid (REPAYE) ................................. $104K*
- Total Forgiven (REPAYE) .......................... $147K

*starting salary $130,000

Loan Forgiveness – Taxable?

Income Driven Plans: Yes
Public Service Loan Forgiveness: No

Reasons to Consolidate

Should I consolidate or refinance?

federal
private

Eligible Loans
+ Qualifying Payments
+ Qualifying Work

Public Service Loan Forgiveness

www.myfedloan.org

Infomation on other programs:
aamc.org/repayasst
frp.nih.gov
nhsc.hrsa.gov

Consolidation vs. Refinancing

Reduce # of Servicers
Eligibility for IBR
Eligibility for PSLF
Eligibility for PAYE or REPAYE
Eligibility for FFH

Want to know more?
www.aamc.org/first/pslfebook
Support Along The Way

"An investment in knowledge always pays the best interest"

Presentation Feedback:
aamc.org/vanderbilt

Questions?
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