Repayment Strategies
Boonshoft School of Medicine at Wright State University
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Senior Education Debt Management Specialist & Trainer
March 25, 2020

Congratulations!

Why Do I Need to Know This?

Oh, That’s Why!

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

Free Online Resource (PDF via a Quick Download Link)
Education Debt Manager (EDM)

aamc.org/first/edm
Know Your Loan Portfolio

Class of 2019 Indebtedness

Boonsont SOM
Wright State University
Medical Education Debt*: $220,000
Credit Card Debt**: $6,200

Median MD School Debt: $200,000
PUBLIC
PRIVATE
$200,000
$215,000

73% of class report having education debt
54% report debt of $200,000 or higher

Do You Have Other Debt?

annualcreditreport.com

StudentAid.gov

You Are America’s Smartest Investment

Getting ready for college can be hard. StudentAid.gov can help.

StudentAid.gov
Subsidized Loans vs. Unsubsidized Loans

- Direct Subsidized
- Perkins Loans *
- Primary Care Loans
- Loans for Disadvantaged Students (LDS) *
- Institutional Loans
- Consolidation Loans (underlying unsubsidized loans)

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

*Subsidy and deferment rights are lost in a consolidation loan

Fixed Interest Rates for the Class of 2020

- Perkins*: 5.0%
- Direct PLUS: 6.6%

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Direct Subsidized</th>
<th>Direct PLUS</th>
<th>Perkins*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>5.62%</td>
<td>6.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2019-20</td>
<td>6.08%</td>
<td>6.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2020-21</td>
<td>6.08%</td>
<td>6.6%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
Borrowed During Medical School

Interest During Med School = $28,500
Interest During Grace = $6,800

Capitalization
Accrued interest is added to original principal.

$255,300 New Principal

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.

Principal Borrowed | Owed After Grace | Interest/Per Mo. During Residency
$100K | $116K | ~$600/mo.
$150K | $173K | ~$900/mo.
$200K | $232K | ~$1,200/mo.
$250K | $291K | ~$1,500/mo.
$300K | $350K | ~$1,900/mo.
$350K | $409K | ~$2,200/mo.

NOTE: Payments are applied to unpaid interest first.
After Graduation

The path for many federal student loans

When is Your First Payment Due?

- A gap between undergrad and medical school (6 or more months)
- An LOA during medical school (6 or more months)

Contact Loan Servicer(s) to Confirm Payment Due Dates

Post-Graduation: Decision Time

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 login assistance, email dhalles@aamc.org
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: $220,000
- Balance After Grace: $255,000
- Interest During 4Yr Residency: $63,000
- Post Residency Balance: $319,000

Capitization occurs at the end of grace. Interest accrues throughout residency. Capitalization occurs again at the end of residency.

Know Your Numbers

MedLoans® Organizer and Calculator
A free tool for MD students and graduates

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Monthly Payment</th>
<th>Total Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$2,300 / mo</td>
<td>$27,600</td>
</tr>
<tr>
<td>Extended</td>
<td>$1,300 / mo</td>
<td>$15,600</td>
</tr>
<tr>
<td>Graduated</td>
<td>$1,000 / mo</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

* Based on the median amount borrowed by the Class of 2019 at this medical school.

What are the repayment options?

Medical Residency/Internship Forbearance

Is it a Good Option?

- Best for you, if...
  - Seeking Public Service Loan Forgiveness (PSLF)
  - Seeking an income-driven repayment (IDR) plan
  - Want to begin repayment immediately

- Not for you, if...
  - Seeking to REDUCE stress and financial obligations
  - Desiring to INCREASE disposable income
  - Have PRIVATE loans with higher interest rates

Monthly payments for the entire repayment term are calculated up-front and disclosed to you.
Repayment Plans

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

**Income-Driven**

Adjusted Gross Income (AGI) - 150% of the Poverty Guideline = Discretionary Income

<table>
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<tr>
<th>Plan Type</th>
<th>Payment Amount (mo)</th>
<th>% of Income</th>
<th>Max of Income</th>
<th>Includes Spouse Income</th>
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<tbody>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>$760</td>
<td>20%</td>
<td>$380</td>
<td>Yes</td>
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<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$490</td>
<td>20%</td>
<td>$245</td>
<td>Yes</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320</td>
<td>10%</td>
<td>$160</td>
<td>Yes</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)*</td>
<td>$320</td>
<td>10%</td>
<td>$160</td>
<td>Yes</td>
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* New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to PAYE.

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* New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to PAYE.

IDR Plans Eligibility: Eligible Loans

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

IDR Plans Eligibility: Financial Need

- Must have a Partial Financial Hardship (PFH)

IDR Plan Eligibility: New Borrowers Only

- 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

AND

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

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**Revised Pay As You Earn (REPAYE) vs PAYE**

**All Borrowers Eligible**

- Payment = 10% of Discretionary Income
- Changes Yearly Based On Income and Family Size
- Forgiveness – 25 Years
- 50% of the Interest - that is not covered by monthly payment - will be "subsidized"
- No Cap on Payment

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

- Remaining Interest Owed = $490

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**The FIRST Stop**

MedLoans’ Organizer and Calculator

- aamc.org/medloans

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**Requesting an Income-Driven Repayment Plan?**

Submit application as early as 90 days before grace ends

- StudentAid.gov

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These questions determine your payment amount.

Optimize the Forgiveness in PSLF or REPAYE Subsidy.

StudentAid.gov

Married Borrowers & Income-Driven Repayment
The Impact of a Spouse’s Income and Debt
(page 31 in the EDM)

Additional FIRST Resources

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

aamc.org/residentstipend

aamc.org/first/residentbudget

aamc.org/first/financialplanning

aamc.org/first/financialplanning2

aamc.org/first/homefinancing

aamc.org/first/medloans
The Best Repayment Strategy
CASE STUDIES

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

Dr. IM

(3 Year Residency, Post Res Net Monthly Income $11,000)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment During Residency 2yrs</th>
<th>Post-Residency Payment</th>
<th>Total Repayment Amount</th>
<th>Forgiveness</th>
<th>Total Years Including Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance than Standard</td>
<td>$0</td>
<td>$3,400</td>
<td>$40K</td>
<td>$0</td>
<td>13</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320</td>
<td>$370</td>
<td>$1,600</td>
<td>$14K</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320</td>
<td>$370</td>
<td>$1,600 – $2,400 (20 yrs)</td>
<td>$51K</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend, 2020 graduate. All figures approximate.

Debt: $183,000
Repayment Plan
Payment During Residency: $320
Post-Residency Payment: $370
Total Repayment Amount: $5,470
Forgiveness: $310
Total Years: 20

Debt: $220,000
Repayment Plan
Payment During Residency: $320
Post-Residency Payment: $370
Total Repayment Amount: $5,470
Forgiveness: $310
Total Years: 20

Note: Based on PGY-1 median stipend, 2020 graduate. All figures approximate.
### Dr. ER (Emergency Medicine, 4-Year Residency, Post Res Net Monthly Income: $13,000)

<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>$3,600</td>
<td>$428K</td>
<td>n/a</td>
<td>14</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 - $400</td>
<td>$2,100</td>
<td>$494K</td>
<td>$0</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 - $400</td>
<td>$2,100</td>
<td>$447K</td>
<td>$0</td>
<td>19</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend, 2020 graduate. All figures approximate.

### Dr. Heart (Cardiologist, 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>$3,900</td>
<td>$471K</td>
<td>n/a</td>
<td>16</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$320 - $460</td>
<td>$2,700</td>
<td>$499K</td>
<td>$0</td>
<td>20</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>$320 - $460</td>
<td>$2,700</td>
<td>$431K</td>
<td>$0</td>
<td>16</td>
</tr>
</tbody>
</table>

Note: Based on PGY-1 median stipend, 2020 graduate. All figures approximate.

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### Other Considerations

**MedLoans’ Organizer and Calculator**

- [aamc.org/medloans](http://aamc.org/medloans)

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**The FIRST Stop**  
A tool for graduates!!
Public Service Loan Forgiveness

- Eligible Loans: Direct Loans Only
- Eligible Payments: 501(c)(3), any level of the government, or a for-profit providing a public service
- Eligible Employment

Public Service Loan Forgiveness

<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>$283K</td>
</tr>
<tr>
<td>Revised PAYE (REPAYE)</td>
<td>10</td>
<td>$1,300 – 1,500</td>
<td>$131K</td>
<td>$265K</td>
</tr>
</tbody>
</table>

Loan Forgiveness – Taxable?

- Yes: Income-Driven Plans
- No: Public Service Loan Forgiveness

Loan Forgiveness and Repayment Assist.

Consolidation Vs. Refinancing

- Should I consolidate or refinance?

Should You Consolidate?

- Federal
- Private

aamc.org/pslfbooklet

myfedloan.org

Dr. Peds: Borrowed $220,000, Starting salary $165,000

aamc.org/pslfbooklet

aamc.org/stloan

aamc.org/frst/consolidatequiz
Should I Refinance?

Taxpayer Relief Act of 1997*

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

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

May be eligible: Voluntary payments & capitalization

irs.gov/publications/p970

* Student Loan Interest Deduction (1/2020)

Questions?
Email: FIRST@aamc.org
More Information: aamc.org/first
Other Resources: aamc.org/videowebinars

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"An investment in knowledge always pays the best interest"