

How to Choose a Repayment Strategy for Your Student Loans

These simple steps should help you determine an effective repayment strategy as you graduate from Midwestern University, regardless of your degree program and ultimate career plans.

Step 1: Know **WHAT you borrowed, **WHO** services your loans, and **WHEN** they come due**

1. See StudentAid.gov for listing of all federal loans, including Direct Unsubsidized and Direct PLUS (Grad PLUS), including any premed federal loans
2. Check your credit report or with your financial aid office for loans not at StudentAid.gov
3. Most federal loans come due 6 months after graduation, unless entire grace period already used
 - a. Check disclosure statements for due dates on other loans

Step 2: Determine your repayment objectives and constantly review them

1. **Aggressive repayment** to minimize interest accrual, capitalization, and reduce total repayment
 - a. Consider repayment plan on federal loans that provides manageable payments, including income plans like PAYE and REPAYE, but target *additional* payments against your most expensive loan whenever you can afford to pay more than the minimum payment
2. **Minimize payments** to maximize cash flow, typical of many new medical residents
 - a. Consider an income plan like PAYE or REPAYE on federal loans, or ...
 - b. Postpone payments if needed with deferment or forbearance
3. **Qualify for and maximize eligibility for Public Service Loan Forgiveness (PSLF)**
 - a. Use an income plan and while PSLF is part of your strategy, consider not making extra payments, but review strategy each year when you renew eligibility for your income plan
 - b. *Balance will increase if payments do not cover interest (typical during residency)*
4. **Service commitment programs like NHSC, NIH, armed forces, states, etc.**
 - a. Financial support to pay down your loans in exchange for service (check tax provisions)

Step 3: Select a repayment plan to meet your repayment objectives

1. Find a repayment plan where the required minimum payment is comfortable and manageable, then decide if and when to overpay and by how much, but NOT while PSLF is part of your strategy
2. See Module 8 (Repayment Calculators) to help you select a repayment plan
3. Look at time-driven repayment plans first before looking at income plans
4. Use comparison chart at www.PGPresents.com to help select the best income plan, if needed
5. Don't forget you can usually switch plans, if needed (work with your loan servicer)
6. Watch for correspondence from your loan servicer prior to your loans coming due

Important Reminders

- **Your principal loan balance will not come down until you pay more than the interest due**
- There is no penalty for early repayment under any federal repayment plan
- Document everything you do and note who you speak with each time you call your loan servicer
- Do NOT miss the renewal (recertification) date on income plans, this is a MAJOR MISTAKE
- Borrowers interested in Public Service Loan Forgiveness should complete the PSLF Form at StudentAid.gov/publicservice and ensure their very first payment with an income plan is made to FedLoan Servicing
- Please see our home page www.PGPresents.com for important updates on the CARES Act, forgiveness proposals, and Public Service Loan Forgiveness

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