Repayment Strategies for Managing Your Student Loans
Considerations

- Dental school graduates have a great track record for repayment
- Multiple ways to effectively handle your student loan debt
- Constantly evaluate your repayment objectives and repayment plan, and change as needed
- Work closely with loan servicers
Educational debt*

- $255,567 mean debt all schools
- $219,116 mean debt public schools
- $302,724 mean debt private schools
- 23.2% no debt or debt less than $100,000
- 33.9% debt in excess of $300,000
- Dental school graduates known for timely and responsible repayment

* Source: ADEA, Indebted graduates in the Class of 2015
1. Know what you borrowed, who services your loans and when they come due
2. Identify and constantly review your repayment objectives
3. Consider repayment options to help meet your repayment objectives
Step 1: Loan portfolio

- Federal loans at [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
  - Information on loan servicers
  - Recent and upcoming graduates likely to have one loan servicer for all federally owned loans

- Campus-based loans
  - Different loan servicer than direct loans

- See credit report or financial aid office for loans not listed on NSLDS
  - Private loans not listed on NSLDS
Sample loan portfolio

- Direct unsubsidized
  - 6-month grace, fixed rate, MPN*
- Direct PLUS
  - 6-month post-enrollment deferment, fixed rate, MPN*
- Campus-based (Perkins, HPSL,** LDS**)  
  - Terms and conditions vary by loan program
- Private
  - Terms and conditions vary by lender

* Master Promissory Note signed for these
** Health Professions Student Loans and Loans for Disadvantaged Students
Private loans*

- These loans are unsubsidized
- Variable or fixed interest rate
- Terms and conditions vary by lender
- Not eligible for income-driven repayment plans or Public Service Loan Forgiveness
- Not eligible for federal consolidation
- See primer on private loans from ADEA

* Private loans are not referenced on NSLDS
More on private loans

• Can easily derail a repayment strategy
• Pay special attention to private loans from undergraduate and advanced education programs
  – Minimal repayment and postponement options
  – Not eligible for IDRss* and PSLF**
• No national database
  – Check your records, with financial aid office or credit report for listing

* Income-driven repayment plans   ** Public Service Loan Forgiveness
Interest rates

- Fixed rates on direct unsubsidized and Direct PLUS
  - Borrowers have different rates each year on new loans*
  - May help with aggressive repayment strategy
- 5% fixed on Perkins, HPSL, LDS
- Rates vary on private loans
  - Check disclosure statement

* Effective July 1, 2013, rates change on new loans disbursed on or after July 1 each year
Interest capitalization

- Accrued and unpaid interest is added back to principal of loan, increases balance
- Less frequent the better
- Usually occurs:
  - When loans enter repayment
  - When borrower has status change*
  - When borrowers opt out of an income-driven repayment plan

* For example, deferment to forbearance
Loan servicers

- Organizations lenders contract with to work with borrowers in repayment
- See www.NSLDS.ed.gov for your servicer*
- Your federally owned loans should all be serviced by one loan servicer
- See www.StudentLoans.gov for details
- Important to keep contact information current

* Click on the number to the left of each loan on the financial aid summary page
When loans come due

- Most direct loans have 6-month grace period
- Perkins loans have 9-month grace period
- HPSL and LDS have 12-month grace period
- Check terms on institutional and private loans
- Only get grace period once, so if used in entirety on loans prior to dental school, these loans should come due shortly after graduation
Step 2: Repayment objectives

• Aggressive, to reduce impact of interest accrual and capitalization
• Cautious, needing to protect income and maximize monthly cash flow
• Loan forgiveness, possibly through Public Service Loan Forgiveness
• Repayment help in exchange for service commitment
Options at repayment

- Loan servicers usually notify borrowers 30 to 90 days prior to loans coming due
  - Be sure all contact information is up to date, especially if you are doing a hospital-based residency program

- Options at repayment
  1. Select repayment plan and start actively repaying your student loans
  2. Postpone payments
Options at repayment

1. Select repayment plan and start actively repaying your student loans
2. Postpone payments
Repayment reminders

• No penalty for aggressive repayment
• You can usually switch repayment plans*
• Payments are applied to interest before principal*
• Voluntary and additional payments may be targeted on most expensive loans* 

* Work with loan servicer
Step 3: Pick a plan

- Standard 10 year (120 level payments)
- Graduated 10 year (payments increase in designated amounts at designated intervals)
- Extended 25 year (300 level payments)
- Income-driven repayment plans*
  - Payments tied to income and family size
  - Payments change annually

* Includes ICR, IBR, PAYE, REPAYE
Standard 10 year

- 120 level payments
- Calculations not dependent on income
- You get this plan if you don’t choose one when given opportunity by loan servicer
- Possibly part of strategy for graduate with
  - Relatively low debt
  - Steady income moving right into practice
  - Other resources
Graduated 10 year

• 120 payments that increase in designated amounts at designated intervals, usually every 24 months
• Total repayment cost higher unless payments accelerated
• Possibly part of strategy for graduate who could otherwise afford Standard 10 year but who has other short-term obligations
Extended 25 year

• 300 level payments
• Total repayment much higher if held to term and payments not accelerated
• Possibly part of strategy for graduate who
  – Has high debt and wants same payment each month
  – Needs to show lower debt-to-income ratio
  – Could afford higher payment but wants a lower required payment each month
Repayment plans*

- Standard 10 year
- Graduated 10 year
- Extended 25 year
- Income-driven repayment (IDR)
  - Income-Contingent Repayment Plan (ICR)**
  - Income-Based Repayment Plan (IBR)
  - Pay As You Earn (PAYE)**
  - Revised Pay As You Earn (REPAYE)**

* Direct unsubsidized, direct PLUS, direct consolidation
** Direct loans only
Income-driven repayment

- Designed for highly indebted borrowers who cannot afford repayment under other plans, most notably Standard 10 year
- The bigger the gap between debt and income, more likely these plans are needed
  - Ideal for many dental residents at teaching hospitals who want to start repayment
- Monthly payments change annually
IDR pros and cons

• Advantages
  – More manageable monthly payments
  – May lead to forgiveness
  – May help build credit

• Disadvantages
  – Payments may not cover interest, if gap between debt and income is high
  – Budgeting may be a challenge, since payments change annually
## IDR comparison

<table>
<thead>
<tr>
<th></th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Loans</td>
<td>FFEL* and Direct</td>
<td>Direct loans only</td>
<td>Direct loans only</td>
</tr>
<tr>
<td>Borrowers</td>
<td>All</td>
<td>New borrowers as of October 2007</td>
<td>All</td>
</tr>
<tr>
<td>Payment</td>
<td>15% of PDI**, capped at original</td>
<td>10% of PDI**, capped at original</td>
<td>10% of PDI**, no cap to payment amount</td>
</tr>
<tr>
<td>Calculation</td>
<td>Standard 10 year</td>
<td>Standard 10 year</td>
<td></td>
</tr>
<tr>
<td>PFH*** Required</td>
<td>Yes</td>
<td>Yes</td>
<td>No, all incomes qualify</td>
</tr>
<tr>
<td>Spousal Income</td>
<td>Yes, if filing jointly</td>
<td>Yes, if filing jointly</td>
<td>Yes, regardless of filing status</td>
</tr>
</tbody>
</table>

* Federal loans from a private lender, not allowed since 2010-11 academic year
** Personal disposable income
*** Partial Financial Hardship
# IDR comparison

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<th>REPAYE</th>
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<tbody>
<tr>
<td>Repayment Term and Forgiveness</td>
<td>25 years</td>
<td>20 years</td>
<td>25 years if any graduate loans, 20 years if UG only</td>
</tr>
<tr>
<td>PSLF* Eligible</td>
<td>Yes, on direct loans</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Capitalization Limit</td>
<td>None</td>
<td>10% of original principal</td>
<td>None</td>
</tr>
<tr>
<td>Interest Subsidy</td>
<td>Sub loans only</td>
<td>Sub loans only</td>
<td>Sub and unsub loans</td>
</tr>
</tbody>
</table>

* Public Service Loan Forgiveness

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Comments on REPAYE

• New plan as of December 2015
• Open to all borrowers on their direct loans regardless of income and regardless of when they first started borrowing
• Payments always 10% of discretionary income (no payment cap)
• 25-year term if any graduate school loans*
• Spousal income always counted
• Partial subsidy on unsubsidized loans

* 20 years with REPAYE is all borrowing done as undergraduate
Why PAYE is best IDR

• Lower payments
  – 10% of discretionary income
  – Payments capped at Standard 10 year amount

• Shorter repayment period
  – 20 years

• Limit on capitalization
  – 10% of original principal borrowed
IDR forgiveness

- **PAYE forgiveness provisions**
  - Balance forgiven after 20 years
  - Not dependent on type of employment
  - Balance subject to tax under current tax law

- **IBR and REPAYE forgiveness provisions**
  - Balance forgiven after 25 years*
  - Not dependent on type of employment
  - Balance subject to tax under current tax law

* 20 years with REPAYE if no graduate school loans
Takeaways

• Income-driven repayment plans provide responsible borrowers with high debt a way to effectively manage their loan debt.
• Consider other more aggressive plans first, then “back into” use of IDRs.
• No penalty for overpayment on IDRs.
• Work with loan servicer on IDRs.
  – Apply online at www.StudentLoans.gov.
Forgiveness estimates*

- $255,567 total student loan debt
  - $162,000 direct unsubsidized, remainder direct direct
- Directly into practice at $180,950
- Single, family size of one
- $0 forgiveness under IBR
  - Balance paid in full before 25-year term
- $298,877 forgiveness with PAYE
  - Balance remains after 20 years

* AAMC/ADEA Dental Loan Organizer and Calculator (REPAYE not available at this time)
* Public Service Loan Forgiveness (PSLF) estimates shown in PSLF module
Forgiveness estimates*

- $255,567 total student loan debt
  - $162,000 direct unsubsidized, remainder direct PLUS
- One year GPR at $52,073, the practice at $180,950
- Single, family size of one
- $0 forgiveness under IBR
  - Balance paid in full before 25-year term
- $311,915 forgiveness with PAYE
  - Balance remains after 20 years

* AAMC/ADEA Dental Loan Organizer and Calculator (REPAYE not available at this time)
* Public Service Loan Forgiveness (PSLF) estimates show in PSLF module

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Repayment estimates using AAMC/ADEA Dental Loan Organizer and Calculator

www.AAMC.org/GoDental
Repayment assumptions

- All examples consist of $162,000 direct unsubsidized and remainder in direct PLUS
- Applicable interest rates by year with interest capitalized at repayment
- No prepayments
- $180,950 mean net income*
- $52,073 GPR stipend*

* Source: American Dental Association (ADA); GPR is General Practice Residency
$255,567

Repayment Estimates for $255,567

MEAN ALL SCHOOLS

Indebted Students, Class of 2015
$255,567 directly into practice

- **Standard 10 year**
  - $3,623 per month, $434,807 total repayment

- **Extended 25 year**
  - $2,180 per month, $653,946 total repayment

- **Income-Based Repayment**
  - $2,034 to $3,623 per month*

- **Pay As You Earn**
  - $1,356 to $2,498 per month*

* Payment changes on an annual basis; REPAYE estimates not available
$255,567 with one year

GPR

- **Standard 10 year**
  - $3,623 per month, $434,807 total repayment
- **Extended 25 year**
  - $2,180 per month, $653,946 total repayment
- **Income-Based Repayment**
  - $423 to $3,623 per month*
- **Pay As You Earn**
  - $282 to $2,419 per month*

* Payment changes on an annual basis; REPAYE estimates not available
$219,116

Repayment Estimates for $219,116
MEAN PUBLIC SCHOOLS
Indebted Students, Class of 2015
$219,116 directly into practice

- Standard 10 year
  - $2,916 per month, $349,953 total repayment
- Extended 25 year
  - $1,745 per month, $523,459 total repayment
- Income-Based Repayment
  - $2,039 to $2,916 per month*
- Pay As You Earn
  - $1,359 to $2,502 per month*

* Payment changes on an annual basis; REPAYE estimates not available
$219,116 with one year GPR

- Standard 10 year
  - $2,916 per month, $349,953 total repayment
- Extended 25 year
  - $1,745 per month, $523,459 total repayment
- Income-Based Repayment
  - $428 to $2,916 per month*
- Pay As You Earn
  - $285 to $2,423 per month*

* Payment changes on an annual basis; REPAYE estimates not available
Repayment Estimates for $302,724
MEAN ALL PRIVATE SCHOOLS
Indebted Students, Class of 2015
$302,724 directly into practice

• Standard 10 year
  – $4,087 per month, $490,459 total repayment

• Extended 25 year
  – $2,471 per month, $741,187 total repayment

• Income-Based Repayment
  – $2,039 to $4,087 per month*

• Pay As You Earn
  – $1,359 to $2,502 per month*

* Payment changes on an annual basis; REPAYE estimates not available
$302,724 with one year GPR

- Standard 10 year
  - $4,087 per month, $490,459 total repayment
- Extended 25 year
  - $2,471 per month, $741,187 total repayment
- Income-Based Repayment
  - $428 to $4,087 per month*
- Pay As You Earn
  - $285 to $2,423 per month*

* Payment changes on an annual basis; REPAYE estimates not available
Options at repayment

1. Select repayment plan and start actively repaying your student loans

2. Postpone payments
Postponement options

• Deferment*
  – School-based advanced dental education program
  – Graduate fellowship

• Forbearance*
  – Mandatory Internship Residency Forbearance
  – Other options, work with loan servicer

• See [www.StudentLoans.gov](http://www.StudentLoans.gov) for details

* Credit protected, borrower considered in good standing
Public Service Loan Forgiveness

- Passed into law in 2007 to encourage borrowers to enter and remain in the public sector for at least 10 years with promise to forgive their debt at that time
- Borrowers must meet eligibility requirements
- First borrowers should qualify in 2017
Three things must happen at the same time in order to qualify for PSLF:

1. Make 120 timely, scheduled payments with an eligible repayment plan like IBR, PAYE, or REPAYE.
2. On eligible loans (only direct loans qualify).
3. While working full time (at least 30 hours) for an eligible employer.

*Income Based Repayment, Pay As You Earn, Revised Pay As You Earn*
Steps to PSLF

- You don’t apply now, you take steps to start moving toward eligibility
  1. Ensure all loans are in direct loan program
  2. Start making payments with an IDR
  3. Submit PSLF Employment Certification Form* to FedLoan Servicing
     - Confirmation of employer PSLF eligibility
     - Help tracking eligible payments

* Online at www.StudentLoans.gov under Managing Repayment
Forgiveness estimates*

- $255,567 total student loan debt
  - $162,000 direct unsubsidized, remainder direct

PLUS

- Directly into practice at $180,950
- Single, family size of one
- $234,673 PSLF forgiveness with IBR
- $346,986 PSLF forgiveness with PAYE

* AAMC/ADEA Dental Loan Organizer and Calculator
Forgiveness estimates*

- $255,567 total student loan debt
  - $162,000 direct unsubsidized, remainder direct

- One year GPR at $52,073, then practice at $180,950

- Single, family size of one

- $244,411 PSLF forgiveness with IBR

- $352,589 PSLF forgiveness with PAYE

* AAMC/ADEA Dental Loan Organizer and Calculator

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Comments on PSLF

- PSLF forgiveness amount not taxable
- Repayment strategy tied to PSLF inconsistent with aggressive repayment
- Proposal to limit PSLF forgiveness amount at $57,500 for graduate students
  - Changes to loan programs tend to be prospective for new borrowers, but no guarantee changes will not impact current borrowers
PSLF takeaways

• Decide whether to take control of your debt or lean on federal government for help
• No reason not to consider PSLF if career path likely in nonprofit sector, including academic dentistry
• Reevaluate PSLF strategy each year
• AAMC/ADEA Dental Loan Organizer and Calculator can help
  – www.AAMC.org/GoDental
Loan repayment programs

• Help repaying loans in exchange for service commitment
• National Health Service Corps (NHSC), Indian Health Service (IHS), National Institutes of Health (NIH), armed forces, some states offer programs
• Consider tax implications
Federal consolidation

- Paying off multiple federal loans with one new federal loan
- Federal government’s Direct Consolidation Loan is only federal consolidation option
- Information and online application at www.StudentLoans.gov
- You consolidate with the government, but you can choose your loan servicer
Pros and cons

• Advantages
  – Convenience of one loan servicer
  – Helps maximize PSLF* amount
  – May allow repayment with PAYE** or REPAYE**

• Disadvantages
  – Partially negates aggressive repayment
  – Slightly higher rate
  – Perkins converted to unsub status if included

* Public Service Loan Forgiveness
** Pay As You Earn and Revised Pay As You Earn
Should you consolidate?

• You may be a candidate if
  – You have multiple loan servicers and want the convenience of one
  – You have non-direct loans and want to maximize forgiveness with PSLF*
  – You have non-direct loans and want to repay entire loan balance with PAYE or REPAYE**

* Public Service Loan Forgiveness
** Only direct loans may be repaid with PAYE and REPAYE
Should you consolidate?

You may **not** be a candidate if
- You are interested in aggressive repayment and want to target additional funds on your most expensive loan
- You already have one loan servicer
- Your entire student loan portfolio is in the direct loan program
Takeaways

• Federal consolidation is an effective debt management tool for some borrowers
• Many recent and upcoming graduates are not strong candidates because all their loans are direct and serviced by one loan servicer
• See [www.StudentLoans.gov](http://www.StudentLoans.gov) for more information
Sample repayment strategies

• Pick any repayment plan with a comfortable or manageable payment and overpay any time possible on worst loan

• Use IDR with goal of forgiveness
  – Consider not overpaying while maximizing forgiveness is part of repayment strategy
  – Be sure to reevaluate each year

• Consider service commitment program
Borrower rights

• Written explanation of loan obligations
• Explanation of default and consequences
• Copy of MPN and return when loan paid in full
• Disclosure prior to repayment
• Be notified when your loan is sold
• Federal subsidy, if eligible
• Forgiveness and discharge, if eligible
• May request forbearance, if needed
• Prepay without penalty
Borrower responsibilities

• Attend senior loan exit interview before you graduate
• Repay loan according to schedule
• Notify loan servicer regarding:
  – Anything impacting your ability to repay
  – Change in status, including graduation date
  – Change in name and contact information
  – Change in enrollment
Takeaways

• Dental school graduates have great track record for repayment
• Consider all repayment options
• Constantly evaluate your repayment objectives and repayment plan, and change if needed
• No penalty for aggressive repayment
Resources

• AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
  – www.AAMC.org/GoDental
  – Customize repayment based on your own student loan portfolio and career plans
  – Estimates of forgiveness amounts under income driven repayment plans and Public Service Loan Forgiveness
Resources

- **www.ADEA.org**
  - Repayment modules
- **www.StudentLoans.gov**
  - Repayment Estimator
- **www.NSLDS.ed.gov**
  - Federal database
  - Upload this data into AAMC/ADEA DLOC
- **www.irs.gov/publications/p970**
  - Information on student loan interest deduction
Ombudsman

- United States Department of Education Federal Student Aid
- www.ombudsman.ed.gov
- 877.557.2575
Action items

- Do inventory of student loan portfolio
- Determine repayment objectives
- Run repayment estimates
  - AAMC/ADEA Dental Loan Organizer and Calculator can help at [www.AAMC.org/GoDental](http://www.AAMC.org/GoDental)
- Open and read mail in timely manner
- Keep contact information current with loan servicers
CONGRATULATIONS!

Questions?