Repayment Primer:
Tips to Help You Prepare to Enter Repayment on Your Student Loans
Class of 2012 Dental School Graduates

This Repayment Primer is intended to help you prepare for the transition from dental school into residency, advanced standing, or practice. You will be working with your loan servicer(s) when your loans come due, regardless of what kind of repayment strategy you develop, so pay special attention to any reference to loan servicers.

In this Primer:
 Decision points (what happens when you graduate)
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Decision points (what happens when you graduate)

 When you graduate, your loan servicer(s) is notified that you are no longer in dental school and you automatically enter any Grace period(s) you have on your student loans
   Different loans may have different Grace periods, so loans may enter repayment at different times
     Stafford Loans have a 6 month Grace period
     Perkins Loans have a 9 month Grace period
     Health Professions Student Loans (HPSL) and Loans for Disadvantaged Students (LDS) have a 12 month Grace period
     Private Residency and Relocation Loans for dental students have Grace periods that will vary depending on the lender (examples include, 6, 9, and 36 month Grace periods)
   Some loans do not have Grace periods and may come due immediately upon graduation (watch for correspondence from your loan servicer)
   Grace periods are “loan specific”, so if you used up a Grace period on pre-dental school loans before starting dental school, that Grace period is gone and that loan(s) will come due when you graduate
 Approximately 30-45 days prior to the expiration of your Grace period, watch for a notice from your loan servicer that your loan is about to enter repayment
   Be sure your loan servicer(s) has your current address
Decision points (continued)

- Notice from loan servicer(s) should reference several options, but you can boil them down into two:
  1. Choose a repayment plan from among several options and start actively repaying your student loans, or
  2. Choose to postpone your payments through Deferment or Forbearance

Repayment options
The repayment options listed below are for Stafford, Grad PLUS, and Federal Consolidation Loans. While there are some restrictions, you may switch repayment plans if needed; contact your loan servicer(s) if you have questions about changing repayment plans. Repayment term for Perkins, Health Professions Student Loans, and Loans for Disadvantaged Students is 10 years. Check your promissory note and/or disclosure statement for repayment terms on any institutional and/or private loans you may have.

- Standard (Level)
  - 10 years, same payment each month
  - Loan servicer will automatically place you in Standard 10 year repayment should you not choose a repayment plan when given the opportunity
  - Monthly payments higher than other plans, but total repayment costs are lower
  - Standard repayment term for Federal Consolidation Loans may be 30 years (look carefully at correspondence from loan servicer)
  - 10 year Standard repayment possibly part of a repayment strategy for dental school graduate who:
    - Enters practice immediately, has steady income, and/or whose budget allows for the relatively higher payments under a Standard 10 year plan

- Graduated
  - Payments start lower and increase by designated amounts at designated intervals
  - Usually 10 years, though some loan servicers may offer interest-only plans that may extend the repayment term
  - Initial lower payments result in higher overall repayment costs when compared with Standard
  - Possibly part of repayment strategy for dental school graduate who:
    - Enters practice immediately, has steady income, but who has other financial commitments that need to be addressed but over a relatively short period of time
Repayment options (continued)

- Income “Related” Plans
  - Monthly payments are tied, at least in part, to income
  - Three kinds:
    - Income Based Repayment (IBR), Income Contingent Repayment (ICR), Income Sensitive Repayment (ISR)
      - IBR usually offers the lowest monthly payment of the various income related plans
  - Borrower’s monthly payment amount calculated annually due to income changes
  - Initial and/or subsequent lower payments result in higher overall repayment costs when compared with Standard 10 year plan
  - **PLEASE NOTE:**
    - IBR available for eligible borrowers on both FFELP and Direct Loans (FFELP are federal loans from private lenders and Direct Loans are federal loans taken out “directly” from the government)
    - Information on IBR, ICR, and ISR available at [www.FINAID.org](http://www.FINAID.org) and [www.IBRinfo.org](http://www.IBRinfo.org), and from your loan servicer
  - Possibly part of repayment strategy for dental school graduate who:
    - Enters a residency program and either does not qualify for or perhaps does not want to postpone payments, but cannot afford payments under Standard 10 year, Graduated, or Extended plans during residency
    - Enters a residency program and even if they qualify to postpone payments, wants to begin making payments of some kind
    - Enters practice immediately, has steady, but relatively low income as compared with debt, and still meets IBR eligibility requirements

- Extended (without consolidation)
  - Up to 25 years, same payment each month
  - Graduated version of Extended plan may be available
  - Lower payments over extended period of time result in much higher overall repayment costs when compared with Standard 10 year plan
  - Possibly part of repayment strategy for dental school graduate who:
    - Enters practice immediately, has steady income, but has extremely high debt and cannot initially afford Standard or Graduated payments
    - Can afford higher payments, but may need to show a lower DTI (debt to income) ratio for purposes of financing a home or practice
Consolidation

- See *Consolidation as Part of Your Repayment Strategy* before you consolidate
  - Check with your Financial Aid Office regarding availability of this document from ADEA
- Federal Direct Consolidation Loan online application and FAQs available at [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

Postponing payments during dental residency

- Two ways to postpone payments on federal loans: Deferment and Forbearance
- Quick factoids regarding Deferment and Forbearance:
  - Subsidized loans remain interest free during Deferment
  - Interest accrues on all loans during Forbearance
  - Borrowers remain in “Good Standing” during both Deferment and Forbearance (your credit is protected)
  - Borrowers must meet specific statutory requirements for Deferment eligibility
  - Loan Servicers have some discretion granting Forbearance
  - Borrowers must submit multiple Deferment/Forbearance requests if they have more than one loan servicer
- Deferments for dental school residents
  - *In-School Deferment should be available for dental residents as long as their residency program is affiliated with an institution of higher education that can certify they are enrolled on at least a half-time basis*
  - *Dental residents at residency programs not affiliated with an institution of higher education are not eligible for the In-School Deferment*
  - Other Deferment categories include Military, Peace Corps, Unemployment, and Economic Hardship (though dental residents rarely qualify for the latter)
  - Contact your loan servicer for details
- Forbearance
  - Multiple kinds, including *Mandatory Internship Residency Forbearance* for dental interns and residents (must be granted by loan servicer on Stafford, Grad PLUS, and Federal Consolidation Loans assuming borrower can prove internship/residency status)
  - Contact your loan servicer for details

Split portfolios

- Refers to dental graduates who have loans owned and/or serviced by different lenders and/or servicers
- See “*Split Portfolios* and *Tips for Working Effectively with Loan Servicers*” for help
  - Check with your FAO regarding availability of this document from ADEA
Where to go for help

- [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov) (National Student Loan Data System)
  - Cumulative summary of Stafford, Grad PLUS, Federal Consolidation, and Perkins
  - Includes information on status, current balance, and loan servicer (click on the number on the left of each loan on the NSLDS initial Account Summary page for this information)
- [www.IBRinfo.org](http://www.IBRinfo.org) (run by the non-profit Project on Student Debt)
  - Includes information on Income Based Repayment, Public Service Loan Forgiveness, plus important links to Department of Education’s Web sites
- Your loan servicer’s Web site
  - Information on any private loans you may have borrowed
  - Institutional loans (loans directly from your school) are often serviced by outside organizations (check with your Financial Aid Office or check your Exit Interview materials)
  - [www.myedaccount.gov](http://www.myedaccount.gov) for federal loans taken out through the Direct Loan program

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