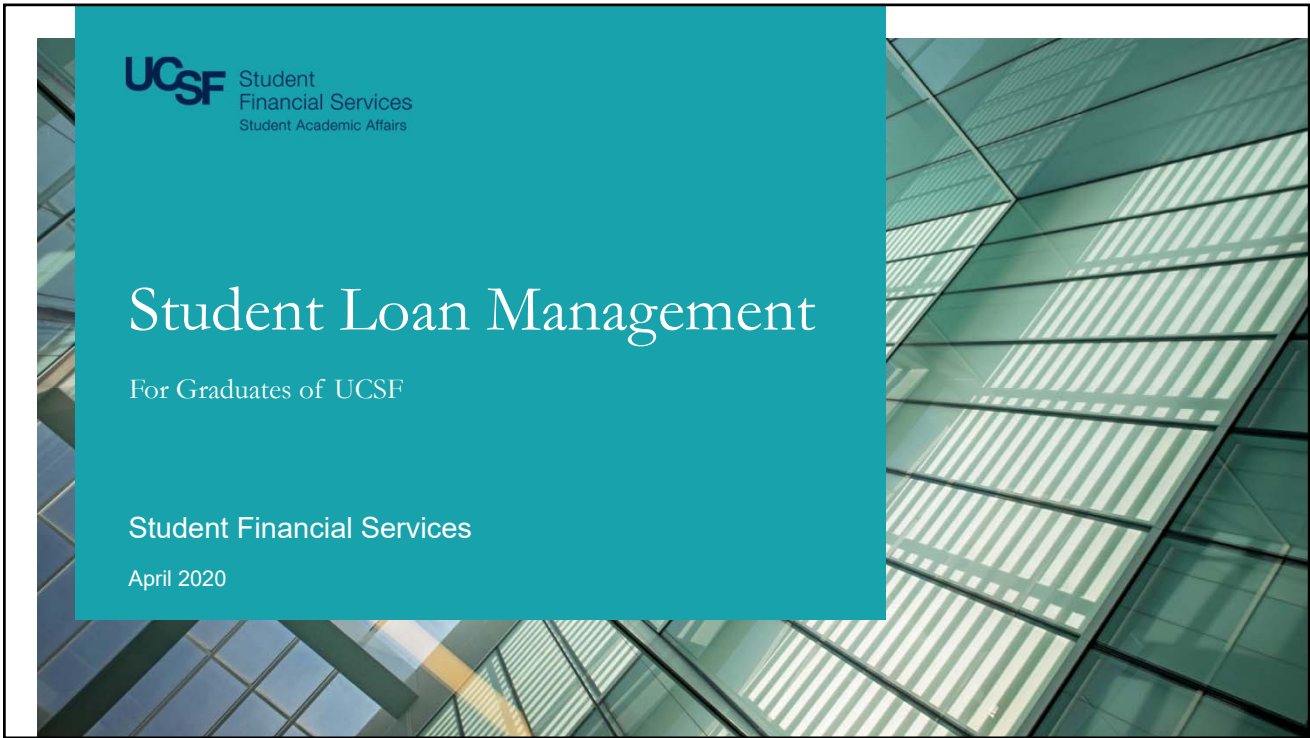


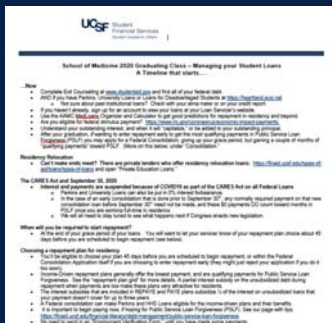
# UCSF Student Financial Services - Class of 2020 Student Loan Repayment

## Zoom recorded presentation April 2020



# Handouts for this session

There are three handouts referenced within this presentation



Student Loan Management Summary

Loan Repayment Plan Grid

Monthly Payment Estimates

Available at: <https://finaid.ucsf.edu/financial-literacy/debt-management>

## Managing your student loans

A timeline that starts NOW

- Know what you owe.
  - Complete exit counseling at [www.studentaid.gov](http://www.studentaid.gov) for federal loans, and <https://heartland.ecsi.net> for Perkins, HPSL, LDS, or University Loans.
  - Be sure you have an account with your loan servicer.
  - Any institutional loans from prior colleges or universities?
  - How much outstanding interest is there?

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## Special considerations for 2020

- Are you eligible for a federal stimulus payment?
  - [www.irs.gov/coronavirus/economic-impact-payments](http://www.irs.gov/coronavirus/economic-impact-payments)
- Interest and payments are suspended on ALL federally held loans from March 13 to September 30, 2020.
  - Your loans are not accruing interest right now.
  - This may impact your decisions on early consolidation – more on this later in the presentation.
- Need help meeting the costs of relocation for residency?
  - Private loans are available; check out <https://finaid.ucsf.edu/types-of-aid/loans/types-of-loans> under “Private Education Loans.”

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## When will you be required to start repayment?

- Federal Direct loans have 6 months of grace period (no payments are needed) that starts after graduation, when you will not be required to make payments. Interest will “capitalize” at the end of grace.
- Perkins and University Loans: 6 months grace. LDS and HPSL Loans: 12 months grace.
- Servicers will set your first repayment due date based on the end of grace. You will need to choose a plan, and can do so within the 45 days before the end of grace.
  - If you have older loans (from undergraduate or from before a research year in which you did not borrow) these loans may not have a grace period, but your servicer may “align them” with your current loans with a forbearance.
  - Special for 2020 grads: Your first four months of grace will overlap the Covid19 suspension of payments which ends Sept. 30.

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## Choosing a repayment plan

- If you do not choose a plan, your federal loan servicer will put you in “standard” repayment.”
- Many residents, fellows, and others starting up in a new profession need more affordable payments at first, and use the income-driven plans REPAYE or PAYE.
  - Ultimately, your choice depends on:
    - Total amount borrowed, residency, marital status, what type of employer you will have after residency, whether you are working toward loan forgiveness, as well as your other financial goals.
    - You may change plans later, as these plans develop.
    - There are no prepayment penalties with student loans.

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## The math for an sample borrower

Borrowed: \$143,000 / average Int. rate 6% / accrued interest \$13,000 / new salary \$60,000 /single

- **REPAYE**
  - Salary \$60,000
    - Minus 150% poverty (\$19,140) = \$40,860
    - 10% of discretionary income = \$4086/year
  - Monthly payment: \$340
  - Monthly interest: \$780
  - **Remaining Interest: \$440**
  - **Interest subsidy: \$220**
- **Standard:**
  - \$1700/month for 10 years.
  - \$204,000 total paid

Check out “other considerations, caveats and conditions” column of the repayment plan grid for more details.

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## How to calculate monthly interest on a loan

- **Before Grace**
  - \$40,000 loan
  - 6.08% interest
  - $\$40,000 \times .0608 = \$2,432$ 
    - annually
    - $\$2,432/12 = \$202.66$
    - monthly
- **After Grace**
  - Any outstanding interest accrued during school and grace capitalizes (adds to principal).
  - Interest is calculated on new outstanding principal.

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## Federal Consolidation

Why would you?

- ✓ To make old FFEL, Perkins, HPSL, or LDS eligible for income-driven plans.
- ✓ To simplify repayment if you have more than one servicer
- Weighted average of underlying loans rounded UP to the nearest 1/8%
- Cannot target payments to higher interest rate loans later if included in consolidation.
- NB You do not need to consolidate to qualify for PSLF if all of your loans are Direct loans.

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## Public Service Loan Forgiveness

120 on time payments in a qualifying plan on qualifying loans while working for a qualifying employer, and then any balance remaining will be forgiven.

- Qualifying loans: Direct and Direct Consolidation Loans
- Qualifying plans: All except graduated, extended and extended graduated.
- Qualifying employers: Govt. agencies and 501(c)3 orgs
- Doesn't have to be consecutive 120 payments
- If you make payments toward PSLF and then consolidate the payment counter resets to "0"

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## Consolidate for purposes of PSLF?

Why would you?

- To make Perkins, HPSL, LDS or old FFEL loans eligible for Income-driven and PSLF.
- To enter repayment early to get payments you make in the grace you would give up “count.”
- To enter repayment early try and get payments set based on 2019 income instead of salary you are earning at the end of grace.

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## Employment Certification for PSLF

When and How?

- To make your payments count, the servicer matches payments made with employer certified full-time employment
- Your employer will complete the form. Ask HR as you onboard for a new job who completes the form.
- No need to submit it right away – you won’t have any months of service and payments until you are working and paying.
- Servicer is FedLoan Servicing for PSLF and recommends annual submission of the form.
  - Myfedloan.org

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## What about Private Consolidation?

Why would you?

- To get a lower interest rate.
- Things to know:
  - Private loans do not qualify for federal income-driven plans or PSLF.
  - Private loans set their own terms and conditions – you must read EVERYTHING carefully. Is it a fixed rate loan? Are there provisions for unemployment/emergencies? Are there death/disability benefits? Is your spouse co-signing?
  - You might qualify for a better private loan once you reach full professional salary.

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## To summarize

What do you need to do?

- Now:
  - loan counseling, and sign onto your loan servicer site
  - Model some scenarios using the loan simulator at [studentaid.gov](http://studentaid.gov)
  - Decide if you want to go for an early consolidation (includes choosing a repayment plan) because you want PSLF payments sooner rather than at end of grace.
    - In October 2020
  - Decide on, and apply for a repayment plan with your loan servicer. of residency salary.
    - Annually
  - Reapply 45 days before your payment plan anniversary date

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