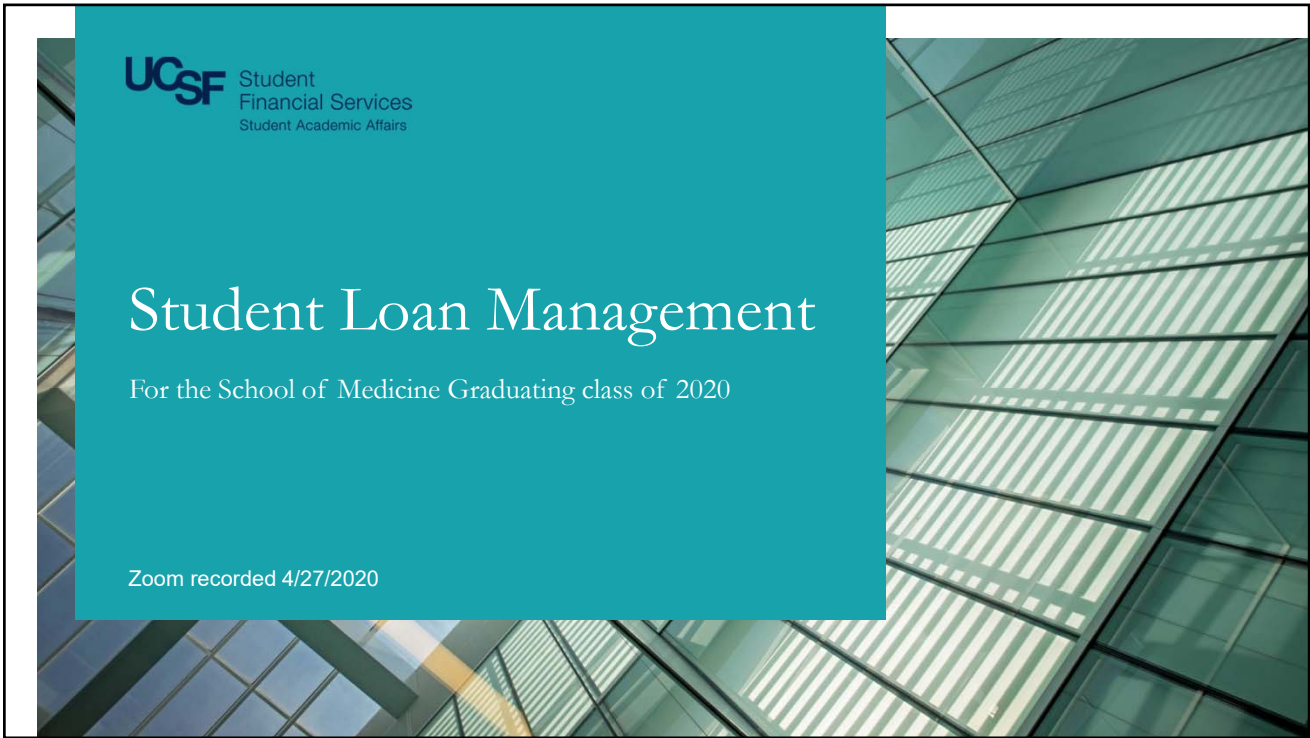
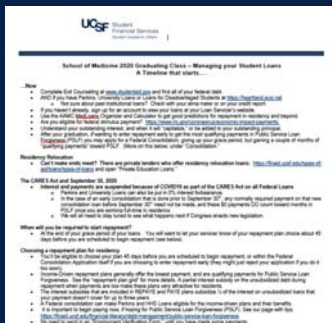


School of Medicine Class of 2020 Student Loan Repayment  
 Zoom recorded presentation  
 April 2020



## Handouts for this session

There are three handouts referenced within this presentation



Student Loan Management Summary

Student Loan Repayment Plan Grid

Loan Type	Interest Rate	Repayment Plan	Notes
Direct Unsubsidized	5.3%	Standard	...
Direct Unsubsidized	5.3%	RePAYE	...
Direct Unsubsidized	5.3%	IBR	...
Direct Unsubsidized	5.3%	PSLNS	...
Direct Unsubsidized	5.3%	FFELT	...

Loan Repayment Plan Grid

Income Driven Repayment (IDR) Sample Payments compared to Standard Repayment Plan

Household Size	Sample Initial Monthly Payments for RePAYE and PAYE Plans				Standard Repayment Calculation			
	Household Size 1	Household Size 2	Household Size 3	Household Size 4	Average	Average	Average	Average
\$10,000	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
\$20,000	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
\$30,000	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300

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, LDS, or University Loans.
  - Be sure you have an account with your loan servicer.
  - Check out the AAMC MedLoans Organizer for better predictions of loan repayment for medical professions.
  - 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 that starts after graduation, when you will not be required to make payments.
- Servicers will set your first repayment due date. 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 do not have a grace period, but your servicer may “align them” with your current loans with a forbearance.
  - 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.”
- Most residents need more affordable payments during residency, and use the income-driven plans REPAYE or PAYE.
  - Ultimately, your choice depends on:
    - Total amount borrowed, length of 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 average borrower, class of 2019

Borrowed: \$143,000 / average Int. rate 6% / accrued interest \$13,000 / resident 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
- Interest subsidy: \$390

### 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, 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, 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 residency salary.

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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 who completes the form in residency.
- 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 after residency.

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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 AAMC calculator
  - 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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