UCSF Student Financial Services
Student Academic Affairs

School of Medicine 2020 Graduating Class – Managing your Student Loans
A Timeline that starts….

…Now

- Complete Exit Counseling at www.studentaid.gov and find all of your federal debt.
- AND if you have Perkins, University Loans or Loans for Disadvantaged Students at https://heartland.ecsi.net
    - Not sure about past institutional loans? Check with your alma mater or on your credit report.
- If you haven't already, sign up for an account to view your loans at your Loan Servicer's website.
- Use the AAMC MedLoans Organizer and Calculator to get good predictions for repayment in residency and beyond.
- Are you eligible for federal stimulus payment? https://www.irs.gov/coronavirus/economic-impact-payments.
- Understand your outstanding interest, and when it will "capitalize," or be added to your outstanding principal.
- After your graduation, *if* wanting to enter repayment early to get the most qualifying payments in Public Service Loan Forgiveness,(PSLF) you *may* apply for a Federal Consolidation, giving up your grace period, but gaining a couple of months of "qualifying payments" toward PSLF. (More on this below, under "Consolidation.")

Residency Relocation

- **Can't make ends meet? There are private lenders who offer residency relocation loans:** https://finaid.ucsf.edu/types-of-aid/loans/types-of-loans and open "Private Education Loans."

The CARES Act and September 30, 2020

- **Interest and payments are *suspended* because of COVID19 as part of the CARES Act on all Federal Loans**
    - Perkins and University Loans can also be put in 0% interest forbearance.
    - In the case of an early consolidation that is done prior to September 30th, any normally required payment on that new consolidation loan before September 30th need not be made, and these $0 payments DO count toward months in PSLF once you are working full-time in residency.
    - We will all need to stay tuned to see what happens next if Congress enacts new legislation.

When will you be *required* to start repayment?

- At the end of your grace period of your loans. You will want to let your servicer know of your repayment plan choice about 45 days before you are scheduled to begin repayment (see below).

Choosing a repayment plan for residency

- You'll be eligible to choose your plan 45 days before you are scheduled to begin repayment, or within the Federal Consolidation Application itself if you are choosing to enter repayment early (they might just reject your application if you do it too soon).
- Income-Driven repayment plans generally offer the lowest payment, and are qualifying payments for Public Service Loan Forgiveness. See the "repayment plan grid" for more details. A partial interest subsidy on the unsubsidized debt during repayment when payments are low make these plans very attractive for residents.
- The interest subsidies that are included in REPAYE and PAYE plans subsidize ½ of the interest on unsubsidized loans that your payment doesn't cover for up to three years.
- A Federal consolidation can make Perkins and HHS Loans eligible for the income-driven plans and their benefits.
- It is important to begin paying now, if hoping for Public Service Loan Forgiveness (PSLF). See our page with tips: https://finaid.ucsf.edu/financial-literacy/debt-management/public-service-loan-forgiveness
- No need to send in an "Employment Verification Form," until you have made some payments.
- I advise signing up for auto-debit payments with your Loan Servicer, you'll never be late, your payments will all count toward PSLF, and you'll get an interest rate reduction.

Once in repayment, and ONLY if necessary, look at postponement options.
https://studentaid.ed.gov/repay-loans/deferment-forbearance

- Residency status does not qualify for Deferment on Federal loans, however, some Institutional loans (the ones serviced by Heartland ECI) allow for Deferment during Residency and Fellowships may qualify you for Deferment using the Fellowship Deferment Form.
- Forbearance can be pursued during Residency or times of economic hardship – but interest will continue to accrue and capitalize at the end of the forbearance.

ANNUALLY after you enter repayment:

- Reapply for your repayment plan, and submit Employment Verification Form for PSLF.

How to calculate monthly interest on outstanding principal and Consolidation

How do you calculate monthly interest on a loan? Example: $40,000 loan at 6.08%: (40,000 x .0608)/12 = $202.66/month (before the end of grace, this interest does not capitalize, but after, once in repayment, any unpaid interest capitalizes monthly.)

Should you consolidate (Federal consolidation)?

- Not everyone needs to consolidate, for example, if all your loans are with one servicer, there is no benefit, unless consolidating early to gain PSLF payments during what would have been your grace period.
- Contrary to some websites and companies that may tell you this: consolidation is not a necessary step to qualifying for forgiveness programs if all of your loans are Direct Loans.
- Caution: If you consolidate *after* making some payments toward your Direct Loans, the PSLF count of on-time payments is reset and begins again.
- *Pros*: Multiple servicers and payments can be made easier, can make FFEL, Perkins, HPL and LDS eligible for Income Driven Repayment plans and PSLF. *Cons*: may lose benefits of some loans with extended deferment options, cannot target payments later to highest interest rate first since the new consolidation loan carries one rate, the weighted average interest rate is rounded up to nearest 1/8 of 1% (may add to cost). Federal Student Loan consolidation on-line application is easy and is at www.studentaid.gov under "Consolidate My Loans."
- *UCSF University Loans may not be included in consolidation, but may be deferred up to five years during residency*.

Should you apply for a Federal Consolidation early (upon graduation)?

- If you want to put your federal loans into repayment early (it would take a couple of months to get started, so July), so that the August and September payments of $0 (under the CARES Act suspension of payments) will count as your first two payments toward PSLF.
- If you want to try and get the first year's payments set to $0 required (regardless of CARES Act provisions) by submitting your 2019 tax return as income, and answering "no," to the "has your income changed substantially?" question on the consolidation application.

Should you consolidate with a private lender?

- Private lenders are anxious to buy your debt because you are a good risk, and they want you as a customer for other financial products they will offer (such as home loans).
- Private loans do not qualify for the federal income-driven repayment plans or Public Service Loan Forgiveness.
- Terms and conditions are all set by the lender; you must read the fine print and be sure you understand they will make you an individual offer of interest rate either fixed or variable; it might not be the one on the "as low as" statement on their literature.
- Among other considerations are federal benefits on loans (like unemployment, or the ones recently enacted by the CARES Act, federal debt is discharged in cases of death and disability, etc.; private loans may not carry the same benefits.
- You may qualify for an even better private consolidation *after* residency.

Some general considerations:

- Consider all of your debt, including credit cards and other consumer debt and pay higher interest rate debt most aggressively.
- Be sure to save for the unexpected expenses and opportunities by building a savings account or Roth IRA.
- If married, be sure you understand the implications of married filing jointly vs. married filing separately on student loan payments vs. your tax liability https://studentaid.gov/manage-loans/repayment/plans/income-driven/questions#married-borrowers

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