Student Loan Update
Educational Debt Management

Lunch and Learn – Miami Miller School of Medicine
June 27, 2018

“Every Student Every Year”

• Workshops
  – Special session for married borrowers
  – Suggestions welcome for topics
• Personal consultations
• Online modules
• Special help for new alumni
Good news

• Great reputation for repayment
• Federal loans can cover entire COA*
• Federal loans with one loan servicer
• Payments during residency affordable
• No penalty for aggressive repayment
• Debt not driving specialty choice
• Options for refinancing later

* Cost of Attendance (annual financial aid budget)

Not so good news

• Interest rates are going up, maximum rates are high
• Most loans are unsubsidized, and interest will eventually capitalize
• Debt likely to grow substantially in residency
• Proposed changes not favorable
Proposed changes

• Administration’s 2019 budget
  – Elimination of PSLF for new borrowers
  – New income based repayment plan

• PROSPER Act
  – Complete elimination of Direct Loan program
    • Trigger dates of July 2019 and July 2024
    • Should only impact new borrowers

* Public Service Loan Forgiveness

Two approaches

• Borrow up to full COA and return funds later if not needed
  – 120 days to return with no interest and no loan fees (work with OSFA)

• Borrow under COA and increase borrowing later if needed
  – Delays interest accrual
  – Be sure to allow OSFA time to process
  – Consider how to pay for interviews
### Medical school debt*

- **$192,000** Median all schools
- **$202,000** Median private schools
- **$180,000** Median public schools

- 57% at $200,000 or more (private schools)
- 21% at $300,000 or more (private schools)
- 46% planning on PSLF** to retire debt

* Source: Association of American Medical Colleges (AAMC), Class of 2017
** Public Service Loan Forgiveness

### PSLF*

- Designed to encourage borrowers to enter public sector by promising to forgive their debt after 10 years
- Has nothing to do with specialty
- Medical students and PSLF
- PSLF may be on chopping block**
- 2019 is the year to watch

* Public Service Loan Forgiveness
** Changes likely impacting first time borrowers
PSLF requirements*

1. Make 120 timely, scheduled payments with eligible plan
2. On eligible loans (Direct Loans)
3. While working full time for an eligible employer (non-profit, public sector)

* These must be happening at the same time in order to qualify
* You apply for PSLF after making all 120 required payments

Popular strategies

• Use income plan (PAYE or REPAYE)
  – Make minimum payments to preserve PSLF*, or
  – Overpay on worst loan for aggressive repayment
• Use extended 25 year to get through residency, then overpay to shorten term
• Forbear and catch up later
• Negotiate with employer for help paying down loans**

* Public Service Loan Forgiveness
** Ask whether additional funds are considered taxable income
Steps to a strategy

1. **What** did you borrow, **who** has the loans, **when** do they come due
2. What are your repayment objectives
3. Which repayment plan will help you meet your objectives, and how do you switch gears if needed

Your portfolio

- **Federal Direct Unsubsidized***
  - Up to $40,500 per year, prorated
  - 6 month grace, fixed rates
  - Multiple repayment and postponement options
- **Federal Direct PLUS (Grad PLUS)***
  - Up to COA less other aid, including Direct Unsub
  - 6 month post-enrollment deferment, fixed rates
  - Multiple repayment and postponement options

* Referenced on NSLDS at [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
Interest rates*

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Direct Unsubsidized max rate 9.5%</th>
<th>Direct PLUS (Grad PLUS) max rate 10.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018.2019</td>
<td>6.59%</td>
<td>7.59%</td>
</tr>
<tr>
<td>2017.2018</td>
<td>6.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2016.2017</td>
<td>5.31%</td>
<td>6.31%</td>
</tr>
<tr>
<td>2015.2016</td>
<td>5.84%</td>
<td>6.84%</td>
</tr>
<tr>
<td>2014.2015</td>
<td>6.21%</td>
<td>7.21%</td>
</tr>
</tbody>
</table>

* Rates on new loans disbursed on or after July 1 of year indicated, fixed for life of loan

Repayment plans

1. Time driven
2. Income driven
Time driven

• Standard 10 and extended 25 year
  – Graduated versions available
• End of term, debt is gone with minimum payments
• Not based on income, marital status, how you file taxes, family size
• Great for budgeting
• Can switch to IDR later

Income Driven

• Designed for high debt borrowers who can’t afford Standard 10 year
• Bigger the gap between federal debt and income, more likely you need and income plan
• Multiple plans, PAYE and REPAYE newest and usually best plans
Income Driven

- Payments based on income and family size and **change annually**
  - Spousal income included under all income plans if filing jointly
    - Spousal federal debt factored in as well
  - Can exclude spousal income with PAYE, but must file separately
- Prior year AGI or current income, if significantly different than prior AGI

Once in an IDR

1. PSLF kicks in after 10 years*
2. You retire the debt before the term is up
3. Debt left at end of term is forgiven, but is taxable

* 120 timely, scheduled eligible payments
### $200,000*

<table>
<thead>
<tr>
<th>Plan Forgiveness</th>
<th>Total Amount Paid</th>
<th>PSLF Paid Out/Forgiven</th>
<th>Monthly Payments</th>
<th>Plan Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard 10 years</td>
<td>$306,984</td>
<td>Nothing to forgive</td>
<td>$2,558</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td>Extended 25 years</td>
<td>$446,537</td>
<td>Not eligible</td>
<td>$1,488</td>
<td>Nothing to forgive</td>
</tr>
</tbody>
</table>

* Direct Unsub and Grad PLUS with applicable rates for Class of 2018
* 6 month window prior to repayment, no aggressive payments

### $200,000* 3 year residency

<table>
<thead>
<tr>
<th>Plan Forgiveness</th>
<th>Total Amount Paid</th>
<th>PSLF Paid Out/Forgiven</th>
<th>Monthly Payments</th>
<th>Plan Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard 10 years</td>
<td>$306,984</td>
<td>Nothing to forgive</td>
<td>$2,558</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td>Extended 25 years</td>
<td>$446,537</td>
<td>Not eligible</td>
<td>$1,488</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td>REPAYE 25 years</td>
<td>$450,290</td>
<td>$120,183</td>
<td>$302 to $2,259</td>
<td>$58,560 (taxable)</td>
</tr>
</tbody>
</table>

* Direct Unsub and Grad PLUS with applicable rates for Class of 2018
* 6 month window prior to repayment, no aggressive payments
* 3 year residency at $54,600, starting salary of $160,000, single, family size of 1
## $200,000*

6 year residency

<table>
<thead>
<tr>
<th></th>
<th>Monthly Payments</th>
<th>Total Amount Paid</th>
<th>PSLF Paid Out/Forgiven</th>
<th>Plan Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard 10 years</td>
<td>$2,558</td>
<td>$306,984</td>
<td>Nothing to forgive</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td>Extended 25 years</td>
<td>$1,488</td>
<td>$446,537</td>
<td>Not eligible</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td>REPAYE 25 years</td>
<td>$302 to $2,048</td>
<td>$383,884</td>
<td>$84,834</td>
<td>$147,063 (taxable)</td>
</tr>
</tbody>
</table>

* Direct Unsub and Grad PLUS with applicable rates for Class of 2018
* 6 month window prior to repayment, no aggressive payments
* 6 year residency at $54,600, starting salary of $160,000, single, family size of 1

### Your action items

- Take advantage of services from Miller
- Run repayment estimates each time you get a new loan
- Identify monthly living allowance in your COA* and stay under it
- Talk with M4s about paying for interview expenses
- Keep radar up about changes
## Resources to help

- Miller SOM Office of Student Financial Assistance (OSFA)
  - Workshops, repayment modules, personal consultations
- [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
  - Listing of all federal loans
- [www.AAMC.org/FIRST](http://www.AAMC.org/FIRST)
  - Multiple resources from the AAMC
  - Medloans Organizer and Calculator
- Your loan servicer’s website