Welcome to the Miami Miller School of Medicine!
Responsible Borrowing Leads to Responsible Repayment!

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Independent Student Loan Consulting
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Discussion topics

- Trump?
- Changes?
- Help?
- Debt?
- Forgiveness?
- Higher rates?
- YOWZA!
- $2,350?

Miami Miller School of Medicine M.D. Class of 2022 Orientation
September 2018
1,550 represents:

• A. Number of words in your Master Promissory Note (MPN)
• B. Monthly loan payment for typical Miller SOM graduate
• C. Total number of hours of sleep you can expect over the next four years
• D. Number of days until you enter repayment on your student loans
## Your spending plan*

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$40,494</td>
</tr>
<tr>
<td>Fees</td>
<td>$1,217</td>
</tr>
<tr>
<td>Books &amp; supplies</td>
<td>$1,000</td>
</tr>
<tr>
<td>Room</td>
<td>$14,160</td>
</tr>
<tr>
<td>Board</td>
<td>$4,080</td>
</tr>
<tr>
<td>Transportation</td>
<td>$2,100</td>
</tr>
<tr>
<td>Personal</td>
<td>$3,160</td>
</tr>
<tr>
<td>Health insurance</td>
<td>$2,840</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$69,051</td>
</tr>
</tbody>
</table>

* Standard MD 1st year COA from OSFA, Florida residents

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**$2,350**
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

Common sense steps

• Control what you can control
• Borrow only what you need
• Don’t assume you need full COA*
• Know what you’re spending your money on
• Don’t miss FAO deadlines
• Interest payments during school help

* Cost of attendance (financial aid budget)
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 and remain in public sector for at least 10 years by promising to forgive their debt tax free
- Great interest among medical students
- Proposed changes to program**

* Public Service Loan Forgiveness
** Would likely impact first time borrowers only
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 higher this year, maximum rates are high
• Most loans are unsubsidized, and interest will eventually capitalize
• Debt likely to grow substantially in residency
• Fewer consumer protections
Your portfolio

• Federal Direct Unsubsidized*
• Federal Direct PLUS (Grad PLUS)*
• Campus-based
  – Primary Care Loans (PCL)
  – Miami Donor Loans
• Private loans

* Referenced on NSLDS at www.NSLDS.ed.gov

Direct Unsubsidized

• Lender is federal government, assigned to servicer
• $40,500 per year*
• Fixed interest rate** (current rate 6.59%)
• 6 month grace period
• Multiple repayment and postponement options
• Currently eligible for forgiveness

* Prorated up for budget periods over 9 months
** Reset for new Direct Unsubsidized each July 1, then fixed for life of loan
Direct PLUS

- Lender is federal government, assigned to servicer
- Up to COA less other aid
- Fixed interest rate* (current rate 7.59%)
- 6 month post-enrollment deferment
- Multiple repayment and postponement options
- Currently eligible for forgiveness

* Reset for new Direct PLUS Loans each July 1, then fixed for life of loan

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>
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</table>

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

- National Student Loan Data System
- [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
- Federal database of all Direct and Perkins Loans
- Use to upload loans to calculators
- Information on loan servicers
  - Click on number to left of each loan on Financial Aid Summary page

Private loans

- Simply not needed in medical school
- Variable or fixed rates
- Often annual and cumulative limits
- Less repayment flexibility, not eligible for IDR* or PSLF**
- Cosigner may be required
- Can easily derail repayment strategy, especially private loans from college

* Income Driven Repayment plans like PAYE and REPAYE
** Public Service Loan Forgiveness
Responsible borrowing

<table>
<thead>
<tr>
<th>DOING THIS</th>
<th>MAY RESULT IN THIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not budgeting and using credit cards to live beyond means</td>
<td>Postponing payments in residency or using plan you don’t want</td>
</tr>
<tr>
<td>Borrowing under COA</td>
<td>Can borrow more later and you delay interest accrual</td>
</tr>
<tr>
<td>Missing FAO deadlines</td>
<td>Missing out on better funds</td>
</tr>
<tr>
<td>Not tracking loans each year</td>
<td></td>
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Repayment plans*

- **Time driven**
  - Standard 10 and Extended 25 year plans

- **Income driven**
  - Income Based Repayment (IBR)
  - Pay As You Earn (PAYE)
  - Revised Pay As You Earn (REPAYE)

* Federal loans like Direct Unsubsidized and Direct PLUS
### $200,000*

<table>
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<tr>
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<th>Monthly Payments</th>
<th>Total Amount Paid</th>
<th>PSLF** Paid Out/Forgiven</th>
<th>Plan Forgiveness</th>
</tr>
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<tbody>
<tr>
<td><strong>Standard 10 years</strong></td>
<td><strong>$2,531</strong></td>
<td><strong>$303,780</strong></td>
<td>Nothing to forgive</td>
<td>Nothing to forgive</td>
</tr>
<tr>
<td><strong>Extended 25 years</strong></td>
<td><strong>$1,462</strong></td>
<td><strong>$438,597</strong></td>
<td>Not eligible</td>
<td>Nothing to forgive</td>
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* Class of 2017, max Direct Unsub, remainder Grad PLUS, applicable rates

* * Public Service Loan Forgiveness

### $200,000*

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<td><strong>REPAYE 25 years</strong></td>
<td><strong>$295 to $2,237</strong></td>
<td><strong>$447,343</strong></td>
<td><strong>$119,671/ $229,338</strong></td>
<td><strong>$46,867 (taxable)</strong></td>
</tr>
</tbody>
</table>

* Direct Unsub and Grad PLUS with applicable rates
| 6 month window prior to repayment, no aggressive payments
* 3 year residency at $53,580, starting salary of $160,000, single, family size of 1
What residents are doing

• Many using income plans then either
  – Aggressive payments on worst loan
  – Minimum payments to help with cash flow and to maximize PSLF amount
• Postponing and catching up later
• Service commitment programs

Student loans and credit

• Federal loans
  – Direct Unsub not based on credit
  – Direct PLUS minimal credit check
• Private loans
  – Approval and pricing based on credit
  – Creditworthy cosigner may be required
FICO factors

Types of credit used
- New credit: 10%
- Length of credit history: 15%
- Amounts owed: 30%
- Payment history: 35%

Source: MyFICO.com

Credit dilemma

- Repayment doesn’t begin until after graduation
- Delinquencies on thin credit file can have exaggerated adverse impact
Proposed changes

- Proposals to eliminate PSLF*
- Proposal to eliminate Direct Loan program
- Changes usually for first time borrowers only
- Look for reference to “new borrowers” or “new loans”

* Public Service Loan Forgiveness

Resources to help

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

• You really can pull this off
• Don’t force your hand later with bad decisions about borrowing now
• Plan to pay back what you borrow
• Keep your radar up for changes
• Take advantage of help from OSFA
• Track your borrowing each year

GOOD LUCK!

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