Student Loan Update

Do they have money? REPAYE?
Can I get married? PSLF?
2020? PAYE?
Refinance?
HELP!

Miami Miller SOM Class of 2023, November 2019
Paul S. Garrard, PG Presents, LLC

First things first

• What
• Who
• When

Your approach

• Aggressive?
• Cautious?
• PSLF?
• Service?
Where your money’s going

- Tuition: $45,871
- Fees: $1,314
- Books & supplies: $1,000
- Room: $14,580
- Board: $4,120
- Transportation: $2,160
- Personal: $3,260
- Health insurance: $3,264
- TOTAL: $75,569

* Standard MD 1st year COA from OSFA

Proposed topics

- Student loan debt and your portfolio
- Higher Education Act update
  - Latest on PSLF*
- Repayment options
  - Time driven and income driven plans
  - Married borrowers and repayment
- What residents are doing
- Resources and action items

* Public Service Loan Forgiveness
Medical school debt*

- $200,000  Median all schools
- $215,000  Median private
- $215,005  Mean (average) private
- 44% planning on using PSLF**

* Source: Association of American Medical Colleges (AAMC), Class of 2019
** Public Service Loan Forgiveness

Good news

- Great reputation for repayment
- Federal loans cover entire COA*
- One servicer for federal loans
- Interest rates down this year
- Payments affordable in training
- Debt not driving specialty choice

* Cost of Attendance (annual financial aid budget)

Not so good news

- Interest rate maximums are high*
- Loans are unsubsidized, and interest will capitalize
- Expect debt to grow during training
- Current administration not consumer friendly

* 9.5% and 10.5% for Direct Unsubsidized and Direct PLUS respectively
Your portfolio

• Federal Direct Unsubsidized*
• Federal Direct PLUS (Grad PLUS)*
• Campus-based
• Private loans

* Referenced on NSLDS at NSLDS.ed.gov

Direct Unsubsidized*

• $40,500 per year
  – OSFA prorates up based on budget term
• Lender is government, assigned a servicer
• Fixed interest rate**
• 6 month grace period
• Repayment flexibility
• PSLF eligible

* Often called Stafford Loan
** Rates change on new loans each July 1, then fixed for life of loan

Direct (Grad) PLUS

• COA minus other aid*
• Lender is government, assigned a servicer
• Fixed interest rate**
• 6 month post-enrollment deferment
• Repayment flexibility
• PSLF eligible

* No annual limit; other aid includes Direct Unsubsidized
** Rates change on new 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>2019-2020</td>
<td>6.08%</td>
<td>7.08%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>6.59%</td>
<td>7.59%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>6.00%</td>
<td>7.00%</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>
</tbody>
</table>

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

### HEA* update

- HEA up for reauthorization
  - Last update 2008, expired in 2013, continually renewed
  - Reauthorization unlikely any time soon
- Provisions usually have trigger date with major changes impacting new borrowers only
  - Look for reference to “new borrowers” or “new loans”

* Higher Education Act

### PSLF*

- Designed to encourage public sector work by promising to forgive debt tax free after 10 years of payments
- Requirements
  1. 120 timely IDR payments on ...
  2. Direct Loans ...
  3. While working FT for eligible employer**
- Not degree or specialty specific

* Public Service Loan Forgiveness
** Most teaching hospitals are non-profit
PSLF*

- Targeted for changes since it was first passed into law in 2007
- Tons of misinformation about PSLF
- You can track eligibility
- FSA predicts increase in eligible borrowers
- News of recent denials

* Public Service Loan Forgiveness
** Most teaching hospitals are non-profit

PSLF denial reasons*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrong payment plans</td>
<td>55%</td>
</tr>
<tr>
<td>Missing information</td>
<td>24%</td>
</tr>
<tr>
<td>Wrong loans</td>
<td>15%</td>
</tr>
<tr>
<td>Employment dates</td>
<td>2%</td>
</tr>
<tr>
<td>Employer not eligible</td>
<td>2%</td>
</tr>
</tbody>
</table>

* Public Service Loan Forgiveness Program Data, June 2019, USED

My two cents worth

- Graduates were paying loans off long before PSLF
- Temporary Expanded PSLF passed
- Staffers on Capitol Hill likely want PSLF
- PSLF unlikely to change your career plans, unless huge debt
- No way you would apply until you knew you had met all requirements
Repayment plans*

1. **Time driven**
   - End of term, debt retired*
     - Standard 10 and Extended 25 year**
     - Same payment each month***
   - Payment calculation has nothing to do with income, marital status, how you file taxes, family size
   - Common with private loans

* Federal loans like Direct Unsub, Direct PLUS, Direct Consolidation
** Most private loan repayment terms are time driven as well
*** Graduated versions of these plans are available

2. **Income driven**
   - Designed for borrowers who can’t afford Standard 10 year
   - Bigger the gap between federal debt and income, more likely you need an IDR
   - Payments based on income and family size and change annually
   - Multiple plans, PAYE and REPAYE newest
Once in an IDR

1. Debt retired tax free after 120 eligible payments with PSLF*
2. You retire the debt before the term is up
3. Debt not retired by end of term is forgiven, but considered taxable income

* Public Service Loan Forgiveness

$200,000* 3 year residency

<table>
<thead>
<tr>
<th></th>
<th>Standard</th>
<th>Extended</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>$2,560</td>
<td>$1,495</td>
<td></td>
</tr>
<tr>
<td>Payment</td>
<td>10 years</td>
<td>25 years</td>
<td></td>
</tr>
<tr>
<td>Total Paid</td>
<td>$307,249</td>
<td>$448,550</td>
<td></td>
</tr>
<tr>
<td>PSLF Paid</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>PSLF</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Forgiven</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Forgiveness</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Est. Taxes</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
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* $40,500 Direct Unsubsidized and $9,500 Direct Plus each year, applicable rates for Class of 2019
* Taxable income prior to repayment, no aggressive payments
* Single, family size of 1, $56,880 PGY - 1 stipend; $180,000 starting salary; taxable rate at 30%

$200,000* 3 year residency

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<tr>
<td>Monthly</td>
<td>$2,560</td>
<td>$1,495</td>
<td>$318 to $2,487</td>
</tr>
<tr>
<td>Payment</td>
<td>10 years</td>
<td>25 years</td>
<td>24 years</td>
</tr>
<tr>
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<td>$307,249</td>
<td>$448,550</td>
<td>$466,960</td>
</tr>
<tr>
<td>PSLF Paid</td>
<td>NA</td>
<td>NA</td>
<td>$133,847</td>
</tr>
<tr>
<td>PSLF</td>
<td>NA</td>
<td>NA</td>
<td>$217,808</td>
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<tr>
<td>Forgiven</td>
<td>$0</td>
<td>$0</td>
<td>$0 (paid in full before term up)</td>
</tr>
<tr>
<td>Term</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Forgiveness</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
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$200,000* 6 year residency

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<tbody>
<tr>
<td>Monthly Payment</td>
<td>$2,560</td>
<td>$1,495</td>
<td>$318 to $2,328</td>
</tr>
<tr>
<td>10 years</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>25 years</td>
<td></td>
<td></td>
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<tr>
<td>Total Paid</td>
<td>$307,249</td>
<td>$448,560</td>
<td>$434,604</td>
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<tr>
<td>PSLF Paid</td>
<td>NA</td>
<td>NA</td>
<td>$94,387</td>
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<tr>
<td>PSLF Forgiven</td>
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<td>NA</td>
<td>$246,857</td>
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<tr>
<td>Term Forgiveness</td>
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<td>$0</td>
<td>$75,022</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>taxable</td>
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<tr>
<td>Est. Taxes</td>
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<td>$22,510</td>
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<tr>
<td>Total Cost</td>
<td>$307,249</td>
<td>$448,560</td>
<td>$457,114</td>
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</tbody>
</table>

* Includes Direct Subsidized and Direct Plus loans for six years, applicable rates for Class of 2019
* 6-month window prior to repayment; no aggressive payments

**Repayment strategies**

- Postpone and catch up later
- Use service commitment programs
- Preserve their options by entering repayment in training with IDR*
  - Land in public sector, use PSLF
  - Land in private sector, stay in income plan and overpay or refinance with private lender

* Income Driven Repayment plan like PAYE or REPAYE

**Resources**

- Office of Student Financial Assistance
  - PGPresent, LLC
- [www.AAMC.org/FIRST](http://www.AAMC.org/FIRST)
  - Highly recommended site
  - Medloans Organizer and Calculator*
- [www.StudentLoans.gov](http://www.StudentLoans.gov)
  - Repayment Estimator
- Your loan servicer

* Repayment calculator designed specifically for medical students and residents
Your action items

• Use AAMC MLOC* each year
• Track your loans with loan servicer
• Budget and live on $2,412 or less
• Never borrow more than you need
• Keep your radar up, but be cautious where you get your information
• Use all available resources

GOOD LUCK!

Paul S. Garrard, Founder and President
PGPresents, LLC
Independent Student Loan Consulting