Repayment Strategies for Graduating Medical Students

Johnathan Chancellor, Sr. Education Debt Management Specialist

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of January 2023 and are subject to change. Calculations shown are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.
YOU DID IT!!
Frequently Asked Questions

- Will I be able to repay my loans during residency?
- How can I select the right payment plan for me?
- Should I apply for Public Service Loan Forgiveness (PSLF)?
- Is consolidation or refinancing the best option for me?
Agenda for Session

- Current State of Student Loans
- Timeline for Repayment
- Where to Find Your Loans
- What Are Your Options?
- Repayment Plans
- Budgeting in Your Payment
- Additional Resources
Current State of Student Loans
COVID-19 Emergency Relief and Federal Student Aid

Here, you can find information about COVID-19 relief for federal student loans. This relief includes a suspension of loan payments, a 0% interest rate, and stopped collections on defaulted loans.

Which Loans Are Eligible

**Student Loan Payment Pause Extended**

The student loan payment pause is extended until the U.S. Department of Education is permitted to implement the debt relief program or the litigation is resolved. Payments will restart 60 days later. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 — payments will resume 60 days after that. We will notify borrowers before payments restart.
Effects of COVID-19 Relief Measures

• Amount Borrowed: $200,000

• Savings to Borrowers: $23,400

*no interest has accrued on direct loans since March 2020.
One-time, federal student loan debt cancellation.

Forgiveness of $10,000 for individuals earning under $125,000/yr. and up to $20,000 for Pell Grant recipients.

Includes borrowers with federal loans disbursed by June 30, 2022.
Current Court Actions

• There are several active lawsuits seeking to block Biden’s debt relief plan.

• A lower court dismissed the lawsuit, and the states appealed the ruling. Biden administration asked the Supreme Court to overturn the injunction.

• The Supreme Court heard arguments in February.
Student Loan Debt Relief Is Blocked

Courts have issued orders blocking our student debt relief program. As a result, at this time, we are not accepting applications. We are seeking to overturn those orders.

If you’ve already applied, we’ll hold your application. Subscribe and check back here for updates. We will post information as soon as further updates are available.
Questions?
Timeline to Repayment

Now

WHAT LOANS DO YOU HAVE?
- View federal student loans: studentaid.gov
- View nonfederal student loans: annualcreditreport.com

Before graduation

DO YOU HAVE UNDERGRADUATE LOANS WITHOUT A GRACE PERIOD?
- Payment for undergraduate loans may be due before medical school loans.
- To delay repayment or select a repayment plan for undergraduate loans, contact loan servicer(s).

Upon graduation

DO YOU WANT OR NEED TO CONSOLIDATE LOANS?
- To consolidate, submit an application at studentaid.gov. Applications are usually processed within 30-75 days.
- Note: You can only consolidate after your school reports that you've graduated or separated from school.

Beginning of residency

ARE YOU PLANNING TO PURSUE PSLF?
- Borrower and employer complete the PSLF form (studentaid.gov/publicservice) and send to FedLoan Servicing.
- Complete the form annually and when changing employers.

90 days before first repayment year ends

WHICH REPAYMENT PLAN DO YOU WANT TO SELECT?
- To apply for an income-driven repayment plan (REPAYE, PAYE, IBR, ICR), go to studentaid.gov or contact loan servicer(s).
- For a traditional repayment plan (Standard, Extended, Graduated), contact loan servicer(s).

90 days before first repayment year ends

DO YOU WANT TO CONTINUE WITH AN INCOME-DRIVEN REPAYMENT PLAN?
- Recertify annually by submitting income and household size information at studentaid.gov or by mailing to your loan servicer(s).
Where to Find Your Loans
Which Loans Do You Have?

- Institutional Loans – awarded and serviced by the school
- Private Loans – awarded and serviced by outside financial institution
- Federal Loans – awarded by school and serviced by Department of Education
You Are America’s Smartest Investment

The U.S. Department of Education’s office of Federal Student Aid provides more than $120 billion in financial aid to help pay for college or career school each year.

Log In
Create Account

studentaid.gov
Find your federal student loan information.
Manage Loans

Navigate the student loan repayment process with confidence: make payments, change repayment plans, explore options, and get help.

Understanding Student Loan Repayment

Learn about federal student loan repayment based on where you are in the process.

I'm Starting School or In School

I'm About to Graduate or Leave College

I Just Graduated or Left School
Your loan balance is $200,000

*Loans broken down by term disbursed
Know your numbers so you can make educated repayment decisions.

To log in to the MedLoans Organizer and Calculator, use your AAMC username and password.  

aamc.org/medloans

To see your repayment options quickly, export your loan information from NSLDS and then upload it into the Organizer for calculation.

MLOC is a tool to help you organize your loans and evaluate your repayment options

aamc.org/medloans
Fixed Interest Rates for Class of 2023
What Options Do You Have?
Grace Period

- 6 months after graduation
- No payment necessary
- Interest may accrue on loans
- Carefully decide based on all options
But I used up my grace period after my undergraduate degree...

- Which loans still have a grace period remaining
- Postpone payment with a deferment or forbearance alignment
- Stay calm and focus on your options
Loans in Forbearance

What does this mean?

- No payments are required during this time
- Must apply each calendar year
- Payments toward principal and/or interest can happen during forbearance
- Residents may opt out of forbearance and into a payment plan at any time

Some Facts for You

- Total amount you pay once payment begins will be greater as loans will accrue interest during this time.
- Increasing your debt during this time can change your payment amount later.
- Will affect your ability to budget later when you may be looking to purchase a home, car or other items.
Begin Repayment

What does this mean?

- Must verify income each calendar year (if in an IDR).
- Minimum monthly payment is being made during this time.
- You must choose a payment plan before the end of your grace period.

Some Facts for You

- Budgeting during residency is important.
- Significantly reduces debt once you have finished residency.
- May opt out of repayment plan during residency.
- You could qualify for student loan interest deduction when filing taxes.
Consolidate or Refinance?

Consolidation
- Federal loans (Perkins, FFEL)
- Weighted average for interest rates

Refinance
- Private loans and lender
- Interest rate set by lender based on borrower information

https://students-residents.aamc.org/financial-aid/all-about-loans
Questions?
Loan Repayment Plans
Traditional Payment Plans

Based on 2022 graduate borrowing $200,000 and entering repayment after grace period ends. Numbers are estimated, rounded and reflect COVID-19 administrative forbearance period (3/13/20 through 6/30/23). Note: Monthly payment for graduated plan will increase every two years.
Based on 2022 graduate borrowing $200,000 and entering repayment after grace period ends. Monthly payment is based on resident stipend of $61,400. Numbers are estimated and rounded. Borrowers with loans disbursed before 7/1/2014 are eligible for the IBR payment shown above; borrowers with loans disbursed after 7/1/2014 would qualify for "new" IBR and the payment would mirror the PAYE payment above.
<table>
<thead>
<tr>
<th></th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>“New” borrowers</td>
<td>All borrowers</td>
</tr>
<tr>
<td>Partial Financial Hardship (PFH)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Payment Amount</td>
<td>10% of discretionary income</td>
<td>10% of discretionary income</td>
</tr>
<tr>
<td>Payment Terms</td>
<td>20 years</td>
<td>25 year</td>
</tr>
<tr>
<td>Forgiveness</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Payment Cap</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Spouse's Income</td>
<td>Yes – if filing jointly</td>
<td>Yes</td>
</tr>
<tr>
<td>Subsidy</td>
<td>Yes, on sub loans – 3 years</td>
<td>Yes – 50% of unpaid interest</td>
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*New borrowers did not have a federal loan balance on 10/1/07 AND had a Direct Loan disbursed after 10/1/2011*
What is a Partial Financial Hardship?

Amount Borrowed: $200,000

Standard Payment: $2,300/month

REPAYE or PAYE Payment: $330/month

If $2,300 > $330...you qualify!
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What is a Payment Cap?

Amount Borrowed: $200,000

Standard Payment: $2,300/month

PAYE Payment: Not to exceed $2,300/month
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What is a REPAYE’s Subsidy?

Amount Borrowed: $200,000

Interest Per Month: $1,000

Monthly Interest $1,000 - Payment $330 = $670

$670 is not covered by monthly payment so $335 (50%) is subsidized
Let’s Look at Some Scenarios
Internal Medicine: 3-Year Residency

- Resident Stipend: $61,400
- Attending Physician Salary: $180,000
- Net Monthly Physician Income: $10,800
- Debt: $200,000

*Stipend based on Merritt-Hawkins Report*
## Internal Medicine with 3-Year Residency

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Years of Payments</th>
<th>Payment During Residency</th>
<th>Payments as an Attending</th>
<th>Total Amount Repaid</th>
<th>Amount Forgiven (taxable)</th>
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<tbody>
<tr>
<td>PAYE</td>
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<td>$330-$370</td>
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</table>
Radiology: 4-Year Residency

- Resident Stipend: $61,400
- Attending Physician Salary: $200,000
- Net Monthly Physician Income: $12,200
- Debt: $200,000

*Stipend based on Merritt-Hawkins Report
### Radiologist with 4-Year Residency

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Years of Payments</th>
<th>Payment During Residency</th>
<th>Payments as an Attending</th>
<th>Total Amount Repaid</th>
<th>Amount Forgiven (taxable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYE</td>
<td>20</td>
<td>$330-$400</td>
<td>$1,700-$2,300</td>
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<td>$0</td>
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<tr>
<td>REPAYE</td>
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<td>$330-$400</td>
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<tr>
<td>Forbearance then Standard</td>
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<td>$0</td>
<td>$2,700</td>
<td>$320,000</td>
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</tbody>
</table>
Urology: 5-Year Residency

- Resident Stipend: $61,400
- Attending Physician Salary: $400,000
- Net Monthly Physician Income: $24,900
- Debt: $200,000

*Stipend based on Merritt-Hawkins Report
# Urology with 5-Year Residency

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Years of Payments</th>
<th>Payment During Residency</th>
<th>Payments as an Attending</th>
<th>Total Amount Repaid</th>
<th>Amount Forgiven (taxable)</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>REPAYE</td>
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<td>$330-$420</td>
<td>$3,600-$4,000</td>
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<tr>
<td>Forbearance then Standard</td>
<td>15</td>
<td>$0</td>
<td>$2,800</td>
<td>$331,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Questions?
Your PSLF Checklist

1. Be sure you work for a qualifying employer.
2. Complete the PSLF form when you start your residency program.
3. Ask your employer to complete the employer section of the PSLF form.
4. Submit the PSLF Form to MOHELA (servicer) each year and if you change employer.
PSLF Improvements

FSA will be making several updates across StudentAid.gov notifying borrowers of this change. The pages that will be updated are as follows:

- StudentAid.gov/public-service
- StudentAid.gov/pslf

Borrowers may now use the updated PSLF Help Tool to:

- Complete the PSLF form,
- Send the form to employers for their digital signature (certifying employment)
- Electronically submit the form to the PSLF servicer for processing (MOHELA)

*changes to begin April 2, 2023*
Submit Yearly Information

- Carefully read any correspondence from your servicer
- Yearly income verification required if in an IDR
- If in PSLF, employer verification highly recommended (see your payments on studentaid.gov)
- Maintain good tax records
Budgeting in Your Loan Payment
Living on a Resident Budget
Yearly Stipend $61,400
Monthly Gross Income $5,117

What happens to your paycheck?

Medicare $74
State/Local $245
Social Security $317
Federal $481

Monthly net pay $4,000
Monthly Budget = $4,000*

- Utilities/Phone $200
- Insurance $150
- Savings $100
- Rent/Mortgage $2,000
- Discretionary $320
- Student Loan $330
- Transportation $450
- Food $450

70% of recent graduates say they’ll make payments during residency.

*Based on a projected 2023 resident student paycheck breakdown and budgeted living costs are based on first analysis of national averages.
Budget Worksheet for Residents

For an interactive PDF of a resident’s budget, visit aamc.org/residentbudget. An infographic on the subject can also be found at aamc.org/residentstipend.

<table>
<thead>
<tr>
<th>MONTHLY INCOME:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (after deductions)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Spouse salary (after deductions)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Investment income</td>
<td>$0.00</td>
</tr>
<tr>
<td>Gifts</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Total Monthly Income</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONTHLY VARIABLE EXPENSES:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Food/household supplies</td>
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</tr>
<tr>
<td>Dining out</td>
<td>$0.00</td>
</tr>
<tr>
<td>Clothes</td>
<td>$0.00</td>
</tr>
<tr>
<td>Laundry/dry cleaning</td>
<td>$0.00</td>
</tr>
<tr>
<td>Gas, oil, auto maintenance</td>
<td>$0.00</td>
</tr>
<tr>
<td>Parking</td>
<td>$0.00</td>
</tr>
<tr>
<td>Medical/dental/eye care</td>
<td>$0.00</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$0.00</td>
</tr>
<tr>
<td>Travel/Vacation</td>
<td>$0.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0.00</td>
</tr>
<tr>
<td>Music/books/journals</td>
<td>$0.00</td>
</tr>
<tr>
<td>Personal care</td>
<td>$0.00</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>$0.00</td>
</tr>
<tr>
<td>Cable TV and internet</td>
<td>$0.00</td>
</tr>
<tr>
<td>Credit card payments</td>
<td>$0.00</td>
</tr>
<tr>
<td>Charity/contributions/gifts</td>
<td>$0.00</td>
</tr>
<tr>
<td>Savings for interviews/relocation</td>
<td>$0.00</td>
</tr>
<tr>
<td>Test prep course/materials</td>
<td>$0.00</td>
</tr>
<tr>
<td>Exam/licensing fees</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Total Variable Expenses</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Plus Total Fixed Expenses</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Equals Total Monthly Expenses</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Less Total Expenses</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Equals Total Discretionary Income (or Deficit)</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>
Keep Track of Your Loans

Delinquency
- Reported to credit bureaus.
- Negatively affects credit.

Default
- Reported to credit bureaus.
- Entire balance becomes due immediately.
- Additional charges, fees, and collection costs are assigned.
- Negatively affects credit.
- Wages and tax returns are garnished.
- Social Security and disability benefits are withheld.
- Legal fees and court costs are your responsibility.
- You are ineligible for additional student aid.
- Other federal debt collection methods are used.

What Should I Do If I Cannot Pay?
Call your servicers immediately!
FIRST provides resources to understand loans and money management.
Videos and Webinars

**Posted Videos**
- Home Financing
- Choosing Insurance
- Increasing Credit Score
- Money Management
- COVID-19 Relief Measures

**Upcoming Webinars**
- Loan Repayment Strategies (April 28th)
- Financial Life During Residency (May 9th)
- MLOC Demo Session (June 8th)

[link to videos and webinars] aamc.org/videowebinars
Resources Available for Download
Know your numbers so you can make educated repayment decisions.

To log in to the MedLoans Organizer and Calculator, use your AAMC username and password.

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aamc.org/medloans
• Measure your financial health and get personalized recommendations.
• Complete online courses.
• Assess your risk of identity theft, create financial goals and a spending plan, track your expenses, and much more!

Financial Wellness for Medical School and Beyond

aamc.org/financialwellness
The AAMC Government Affairs team works with constituents in Washington DC and the financial aid community to help with:

- Keeping the Public Loan Forgiveness Program active.
- Making sure you can receive financial assistance for all costs associated with medical school.
- Ensuring loan programs are working in the best interest of medical students regarding rates and repayment terms.

AAMC Advocating for You
The AAMC’s **FIRST** program provides financial information, resources, services, and tools for students and residents regarding debt management and student loan repayment.

*aamc.org/FIRST*

Questions?
**Contact first@aamc.org.**