

SENIOR LOAN EXIT INTERVIEW DENTAL SCHOOL CLASS OF 2015

Repayment Strategies for Managing Your Student Loans

Considerations



- Dental school graduates have great track record for repayment
- Multiple ways to effectively handle your student loan debt
- Constantly evaluate your repayment objectives and repayment plan, and change as needed
- Work closely with loan servicers

Educational debt*



- \$247,227 mean debt all schools
- \$216,437 mean debt public schools
- \$289,897 mean debt private schools
- 22.9% no debt or debt less than \$100,000
- 32.1% debt in excess of \$300,000
- Dental school graduates known for timely and responsible repayment

*Source: ADEA Survey of Dental School Seniors, Class of 2014

Simple steps to an effective repayment strategy



- 1. Know what you borrowed, who services your loans and when they come due
- 2. Determine repayment objectives and constantly reevaluate them
- 3. Select repayment plan to meet your repayment and career objectives
- Use all available resources, including AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)

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Student loan portfolio



- Federal Direct Stafford*
 - Subsidized and unsubsidized
- Federal Direct PLUS*
- Campus-based (awarded by school)
 - Federal Perkins*, Health Professions Student Loan, Loans for Disadvantaged Students, Institutional
- Federal Consolidation Loans*
- Private loans (including R&R loans)

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

Federal Direct Stafford*



- Subsidized and unsubsidized
 - Direct and FFEL**
- Fixed interest rate
- Six-month grace period
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- Eligible for consolidation

*Referenced on NSLDS at www.NSLDS.ed.gov **Federal loans from private lenders.

Federal Direct PLUS*



- Unsubsidized
 - Direct and FFEL
- Fixed interest rate
- Six-month post-enrollment deferment**
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- Eligible for consolidation

*Referenced on NSLDS at www.NSLDS.ed.gov **Similar to six-month grace period.

Federal Perkins*



- Subsidized
- 5% fixed interest rate
- Nine-month grace period and six-month "post-deferment grace period"
- Deferment and forbearance options
- Standard 10-year repayment
 - Not eligible for income-driven repayment plans or Public Service Loan Forgiveness
- Eligible for consolidation

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

HPSL*and LDS*



- Subsidized
- 5% fixed interest rate
- 12-month grace period
- Deferment and forbearance options
- In general, standard 10-year repayment
 - Not eligible for income-driven repayment plans and Public Service Loan Forgiveness
- Eligible for consolidation

*HPSL and LDS are not referenced on NSLDS

Institutional loans*



- Subsidized or unsubsidized
- Terms and conditions vary by school
 - Check grace, deferment and forbearance options, plus repayment options, with school
 - Not eligible for income-driven repayment or Public Service Loan Forgiveness
- Not eligible for federal consolidation
- Separate loan exit interview may be required (see financial aid office)

*Institutional loans are not referenced on NSLDS

Federal Consolidation*



- Subsidized and unsubsidized
- Weighted interest rate, rounded up one eighth of a percent and fixed for life of loan
- No grace period
- Deferment and forbearance options
- Multiple repayment and forgiveness options
- See Consolidation Primer from ADEA

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

Private loans*



- Unsubsidized
- Variable or fixed interest rate
- Terms and conditions vary by lender
 - Check grace, deferment and forbearance options, plus repayment options, with lender
 - Not eligible for income-driven repayment or forgiveness
- Not eligible for federal consolidation
- See private loan questions document from ADEA

*Private loans are not referenced on NSLDS

More on private loans



- Can easily derail a repayment strategy
- Pay special attention to private loans from undergraduate and postbaccalaureate programs
 - Minimal repayment and postponement options, not eligible for forgiveness programs
- No national database
 - Check your records with FAO or credit report for listing

National Student Loan Data System (NSLDS)



- www.NSLDS.ed.gov
- Federal database of all Stafford, PLUS, Consolidation, Perkins
- Direct loans will be indicated
- FFEL loans are federal loans from private lenders (no longer allowed)*
- Information on loan servicer
 - Click number to left of each loan after logging into Financial Aid Summary

*No more new FFEL Loans as of 2010-11 year, so all your loans may be direct loans.

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Current interest rates*



- Stafford at 6.21% fixed
- PLUS at 7.21% fixed
- Campus-based
 - Perkins, Health Professions Student Loans (HPSL), Loans for Disadvantaged Students (LDS) at 5% fixed
- Check disclosures for institutional and private loans (variable and fixed)

*New loans disbursed on or after July 1, 2014

Capitalization of interest



- Process whereby accrued and unpaid interest is added back to loan principal
- Less frequent the better
- Usually occurs:
 - When loans enter repayment
 - When borrower has status change*
 - When borrower in IBR or PAYE no longer demonstrates PFH** or opts out of plan

*For example, deferment to forbearance **Partial Financial Hardship

Loan servicers



- Organizations that lenders contract with to work with you in repayment
- See <u>www.NSLDS.ed.gov</u> for your servicer*
- Loan servicers required to notify you when they take over servicing of your loans
- Your federally owned loans should all be serviced by one loan servicer
- See <u>www.StudentLoans.gov</u> for details**

*Click on the number to the left of each loan on the financial aid summary page.

^{**}See "Managing Repayment" for additional information on loan servicers.

Working with loan servicers



- Document everything, and always note who you are speaking to when you call
- Take notes and ask if the customer service representative is doing the same*
- Speak with the supervisor if needed
- Know the correct terminology
- Confirm all actions they say they will take
- Confirm receipt of all submitted documents
- Keep contact information current

*This is extremely important if you have to call back about the same matter.

When loans come due



- Most Stafford and PLUS loans—six months after graduation
- Perkins loans—nine months after graduation
- HPSL and LDS—12 months after graduation
- Check terms on institutional and private loans
- You only get a grace period once, so if used on loans prior to dental school, those should come due shortly after graduation

Simple steps to an effective repayment strategy



- 1. Know what you borrowed, who services your loans and when they come due
- 2. Determine repayment objectives and constantly reevaluate them
- 3. Select repayment plan to meet your repayment and career objectives
- Use all available resources, including AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)

Repayment objectives



- Protect income, maximize cash flow
- Limit impact of interest accrual and capitalization
- Help through loan repayment and/or forgiveness programs
- Convenience and simplicity of repayment

Simple steps to an effective repayment strategy



- 1. Know what you borrowed, who services your loans and when they come due
- 2. Determine repayment objectives and constantly reevaluate them
- 3. Select repayment plan to meet your repayment and career objectives
- 4. Use all available resources, including AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)

Repayment options



- Loan servicers usually notify borrowers 30 to 90 days prior to loans coming due
 - Be sure all contact information is up to date, especially if you are doing a hospital-based residency program
- Options at repayment
 - 1. Select repayment plan and start actively repaying your student loans
 - 2. Postpone payments

Options at repayment



- Loan servicers usually notify borrowers 30 to 90 days prior to loans coming due
 - Be sure all contact information is up to date
- Options at repayment
 - 1. Select repayment plan and start actively repaying your student loans
 - 2. Postpone payments

Repayment reminders



- You should receive ample notice that your loans are coming due
- No penalty for aggressive repayment
- Payments are applied to interest before principal, but work with loan servicer
- Voluntary and additional payments may be targeted on most expensive loans
- Don't assume you need an income-driven repayment plan like IBR or PAYE

Current repayment plans ADEA THE VOICE OF DENTAL EDUCATION

- Standard 10 year (120 level payments)*
- Graduated 10 year (120 payments with scheduled increases at scheduled intervals)
- Extended 25 year (300 level payments)
- Income-driven repayment
 - Income Based Repayment (IBR)
 - Pay As You Earn (PAYE)
- Details at <u>www.StudentLoans.gov</u>

*Up to 30 years on Federal Consolidation Loans, depending on balance

Standard 10 year



- 120 months, same payment
- 10 years for unconsolidated loans, up to 30 years for consolidation loans
- You get standard if you do not choose
- Possibly part of a strategy for graduate with steady income moving right into practice who can afford relatively high payments or someone with additional resources

*Use AAMC/ADEA Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts.

Graduated 10 year



- 120 payments that start lower and increase in designated amounts at designated intervals, usually every 24 months
- Total repayment higher if held to term and payments not accelerated
- Possibly part of strategy for graduate with steady income moving right into practice who could otherwise afford standard but has other short term financial obligations

*Use Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts

Extended 25 year



- 300 months, same payment each month for 25 years
- Total repayment much higher if held to term and payments not accelerated
- Possibly part of strategy for graduate with high debt who needs a lower payment or perhaps needs to show a lower DTI ratio when applying for a mortgage or other financing

*Use Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts

Income-driven plans*



- Designed for highly indebted borrowers with low to moderate incomes who cannot afford repayment under other plans, especially standard 10 year
- Possibly part of repayment strategy for graduate entering residency who wants to make payments, for borrower trying to qualify for PSLF* or for borrower entering practice with extremely high debt

*Use Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts

Income-driven plans*



- Income Based Repayment (IBR)
 - 15% of discretionary income
- Pay As You Earn (PAYE)
 - 10% of discretionary income
 - Lowest payments are under PAYE
- Income Contingent Repayment (ICR)
 - Older plan, almost always resulting in higher payments when compared with IBR and PAYE

*Use Dental Loan Organizer and Calculator at www.AAMC.org/GoDental and calculators at www.StudentLoans.gov to estimate payment amounts

IBR and **PAYE**



- Designed for highly indebted borrowers with low to moderate incomes who cannot afford repayment under other plans, especially standard 10 year.
- Must apply annually and demonstrate eligibility (called "Partial Financial Hardship").*
- Expect payment to change each year.

*Use calculators at www.StudentLoans.gov to estimate eligibility and payment amount

IBR and PAYE pros and cons



- Advantages
 - More manageable payments
 - May help you qualify for forgiveness
 - May help build credit*
- Disadvantages
 - Initial payments may not cover interest if debt really high, especially during residency
 - Must renew annually
 - Married borrowers may feel a pinch

*Approximately 35% of credit score comes from timely payments, including those on student loans

Married borrowers and IDRs*



- Spousal income used in determination of both eligibility and subsequent payment amounts under both IBR and PAYE when joint tax return filed
- Spousal income not counted if married and filing separately, unless living in a "community property" state**
- Use repayment estimator at <u>www.StudentLoans.gov</u> to see impact

*Income-driven repayment plans (IBR and PAYE) ** One half spousal income counted

Options post "PFH"*



- Borrower stays in IBR or PAYE, but payments automatically revert to standard 10 year amount*
- Options at that point include
 - Pay standard until balance paid
 - Pay standard until balance forgiven
 - Opt out of IBR or PAYE and into another repayment plan like extended**

*What you would have paid had you entered standard 10 year when you first applied for IBR or PAYE

**Public Service Loan Forgiveness "off the table" at this point, as extended payments do not qualify

IBR versus PAYE



IBR

- July 2009
- Direct and FFEL
- 15% of discretionary income
- 25 year forgiveness
- No limit to capitalization.
- Renew annually

PAYE

- December 2012
- Direct loans only
- 10% of discretionary income
- 20 year forgiveness
- · Capitalization limit
- Renew annually
- Trigger date of October 1, 2007.

Repayment options



- Loan servicers usually notify borrowers 30 to 90 days prior to loans coming due
 - Be sure all contact information is up to date
- Options at repayment
 - Select repayment plan and start actively repaying your student loans
 - Postpone payments

Postponement options



- Deferment*
 - School-based advanced dental education program
 - Graduate fellowship
- Forbearance*
 - Mandatory internship residency forbearance for hospital-based residents who receive stipend
 - Other options, work with loan servicer
- Details at <u>www.StudentLoans.gov</u> under Managing Repayment

*Credit protected, as borrower considered in "good standing"



Repayment Estimates for \$247,227 MEAN ALL SCHOOLS Indebted Students, Class of 2014

Repayment assumptions for \$247,227 (all schools)*



- \$247,227 educational debt (all schools)
 - \$162,000 unsubsidized Stafford
 - \$85,227 Direct PLUS
- Interest rates
 - Stafford at 6.21% fixed years 1-4
 - Direct PLUS at 7.21% fixed years 1-4
- Two scenarios for IBR and PAYE
 - \$165,000 income (immediate practice)**
 - \$48,147 income (GPR residency)**

*AAMC/ADEA Dental Loan Organizer and Calculator used for all calculations **Source: ADA

Repayment of \$247,227 at \$165,000 salary



- Standard 10 year
 - \$3,269 per month for 10 years
 - \$392,241 total repayment
- Extended 25 year
 - \$1,950 per month for 25 years
 - \$584,944 total repayment
- Income Based Repayment (IBR)
 - \$1,837 to \$3,269 per month*
- Pay As You Earn (PAYE)
 - \$1,225 to \$2,212 per month*

^{*}Payment changes on an annual basis; borrower must renew eligibility each year

Repayment of \$247,227 at \$48,147 stipend (GPR)



- Standard 10 year
 - \$3,269 per month for 10 years
 - \$392,241 total repayment
- Extended 25 year
 - \$1,950 per month for 25 years
 - \$584,944 total repayment
- Income Based Repayment (IBR)
 - \$376 to \$3,269 per month*
- Pay As You Earn (PAYE)
 - \$251 to \$2,140 per month*

*Payment changes on an annual basis; payment much less in residency; borrower must renew eligibility each year



Repayment Estimates for \$216,437 MEAN ALL PUBLIC SCHOOLS Indebted Students, Class of 2014

Repayment assumptions for \$216,437 (public schools)*



- \$216,437 educational debt (public schools)
 - \$162,000 unsubsidized Stafford
 - \$54,437 Direct PLUS
- Interest rates
 - Stafford at 6.21% fixed years 1-4
 - Direct PLUS at 7.21% fixed years 1-4
- Two scenarios for IBR and PAYE
 - \$165,000 income (immediate practice)**
 - \$48,147 income (GPR residency)**

*AAMC/ADEA Dental Loan Organizer and Calculator used for all calculations **Source: ADA

Repayment of \$216,437 at \$165,000 salary



- Standard 10 year
 - \$2,844 per month for 10 years
 - \$341,266 total repayment
- Extended 25 year
 - \$1,689 per month for 25 years
 - \$506,630 total repayment
- Income Based Repayment (IBR)
 - \$1,837 to \$2,844 per month*
- Pay As You Earn (PAYE)
 - \$1,225 to \$2,212 per month*

^{*}Payment changes on an annual basis; borrower must renew eligibility each year

Repayment of \$216,437 at \$48,147 stipend (GPR)



- Standard 10 year
 - \$2,844 per month for 10 years
 - \$341,266 total repayment
- Extended 25 year
 - \$1,689 per month for 25 years
 - \$506,630 total repayment
- Income Based Repayment (IBR)
 - \$376 to \$2,844 per month*
- Pay As You Earn (PAYE)
 - \$251 to \$2,140 per month*

*Payment changes on an annual basis; payment much less in residency; borrower must renew eligibility each year



Repayment Estimates for \$289,897 MEAN ALL PRIVATE SCHOOLS Indebted Students, Class of 2014

Repayment assumptions for \$289,897 (private schools)*



- \$289,897 educational debt (private schools)
 - \$162,000 sub and unsubsidized Stafford
 - \$127,897 Direct PLUS
- Interest rates
 - Stafford at 6.21% fixed years 1-4
 - Direct PLUS at 7.21% fixed years 1-4
- Two scenarios for IBR and PAYE
 - \$165,000 income (immediate practice)**
 - \$48,147 income (GPR residency)**

*AAMC/ADEA Dental Loan Organizer and Calculator used for all calculations **Source: ADA

Repayment of \$289,897 at \$165,000 salary



- Standard 10 year
 - \$3,857 per month for 10 years
 - \$462,886 total repayment
- Extended 25 year
 - \$2,312 per month for 25 years
 - \$693,495 total repayment
- Income Based Repayment (IBR)
 - \$1,837 to \$3,857 per month*
- Pay As You Earn (PAYE)
 - \$1,225 to \$2,212 per month*

^{*}Payment changes on an annual basis; borrower must renew eligibility each year

Repayment of \$289,897 at \$48,147 stipend



- Standard 10 year
 - \$3,857 per month for 10 years
 - \$462,886 total repayment
- Extended 25 year
 - \$2,312 per month for 25 years
 - \$693,495 total repayment
- Income Based Repayment (IBR)
 - \$376 to \$3,857 per month*
- Pay As You Earn (PAYE)
 - \$251 to \$2,140 per month*

*Payment changes on an annual basis; payment much less in residency; borrower must renew eligibility each year

Forgiveness programs



- Income Based Repayment (IBR) after 25 years*
- Pay As You Earn (PAYE) after 20 years*
- Public Service Loan Forgiveness (PSLF)*
 - Borrower must make 120 eligible payments on direct loans while working for eligible employer
- Details at www.StudentLoans.gov
- Estimate forgiveness amounts with AAMC/ADEA Dental Loan Organizer and Calculator

*Forgiveness amount taxable under current law for IBR and PAYE, not for PSLF

Public Service Loan Forgiveness (PSLF)



- Forgiveness program designed to encourage borrowers to enter and remain in public service for at least 10 years
- Provides forgiveness of eligible student loan balance for borrowers who meet certain eligibility requirements
- Part of 2007 College Cost Reduction and Access Act

Public Service Loan Forgiveness (PSLF)



- You do not apply now
- You take steps to start qualifying by
 - Making 120 timely, scheduled, eligible payments (like IBR or PAYE) ...
 - On eligible loans (only direct loans qualify) ...
 - While working FT (at least 30 hours) for eligible public service employer
- See <u>www.StudentLoans.gov</u> under Managing Repayment for details

Public Service Loan Forgiveness (PSLF)



- You can maximize potential PSLF by making minimum payments under IBR or PAYE and not overpaying
- However, important to reevaluate your repayment strategy each year, as balance may initially grow with low payments, especially in residency
- Should career track not be consistent with public service, consider changing strategy

Forgiveness estimates at \$247,227*



- Directly into practice at \$165,000 salary
 - With Income Based Repayment (IBR)
 - \$0 forgiveness under 25-year IBR
 - \$210,656 forgiveness under Public Service Loan Forgiveness
 - With Pay As You Earn (PAYE)
 - \$270,676 forgiveness under 20-year PAYE
 - \$312,660 forgiveness under Public Service Loan Forgiveness

*\$247,227 debt with same assumptions as those in repayment slide; no additional payments made; PSLF forgiveness assumes borrower meets all PSLF requirements

Forgiveness estimates at \$247,227*



- One year GPR at \$48,147 stipend, then into practice at \$165,000 salary
 - With Income Based Repayment (IBR)
 - \$0 forgiveness under 25-year IBR
 - \$219,733 forgiveness under Public Service Loan Forgiveness
 - With Pay As You Earn (PAYE)
 - \$282,897 forgiveness under 20-year PAYE
 - \$317,752 forgiveness under Public Service Loan Forgiveness

*\$247,227 debt with same assumptions as those in repayment slide; no additional payments made; PSLF forgiveness assumes borrower meets all PSLF requirements

Long-term viability of PSLF



- No guarantees on availability
- Current proposal to cap forgiveness amount at \$57,500
- Changes to loan programs tend to be prospective for "new" borrowers, but there is no guarantee changes would not impact current borrowers

Tracking PSLF eligibility



- FedLoan Servicing only designated loan servicer to help borrowers verify employer qualifies and to track payments
- Employment Certification Form (ECF) may be submitted to FedLoan Servicing
- FedLoan Servicing will
 - Notify borrowers of employment eligibility
 - Take over servicing of loans and track payments, assuming employment qualifies

Loan repayment programs



- Help repaying loans in exchange for service commitment
- National Health Service Corps (NHSC), Indian Health Service (IHS), National Institutes of Health (NIH), armed forces, some states
- See Chapter 4 of ADEA Official Guide to Dental Schools for listing
- Consider tax implications

Consolidation



- Paying off multiple loans with one new loan
- Loans you consolidate are gone
- Advantages and disadvantages
- Direct Consolidation Loan program only option to consolidate federal loans
- May not be needed for many Class of 2015 dental school graduates

Advantages and disadvantages



- Advantages
 - Convenience of one loan servicer
 - Converts non-direct loans into direct loans*
 - May extend repayment term to 30 years
- Disadvantages
 - Partially negates aggressive repayment
 - Slightly higher rate
 - Loss of grace period if consolidate too early
 - Loss of subsidy on Perkins, HPSL, LDS

*Only direct loans are eligible for Public Service Loan Forgiveness (helps borrowers maximize PSLF)

Should you consolidate?



- You may be a candidate if:
 - You have multiple loan servicers
 - You have some non-direct loans and you want to maximize forgiveness with PSLF
- You may not be a candidate if:
 - You already have one loan servicer
 - You are not interested in PSLF or you are, but all your loans are direct loans

Sample repayment strategies



- Use standard 10-year or extended 25 year and accelerate payments
- Use IBR or PAYE and accelerate payments
- Use IBR or PAYE, with goal of forgiveness
 - Consider not overpaying while maximizing forgiveness is part of repayment strategy
- Consider service commitment program

Repayment plan takeaways



- Dental school graduates have great track record for repayment
- Don't assume you need IBR or PAYE
- Multiple ways to effectively handle your student loan debt
- Constantly evaluate your repayment objectives and repayment plan, and change if needed
- No penalty for aggressive repayment

Resources



- Your school's financial aid office
- www.ADEA.org
 - Primers on repayment, loan servicing, and consolidation
- www.AAMC.org/GoDental
 - AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
- www.StudentLoans.gov
- www.NSLDS.ed.gov
- www.irs.gov/publications/p970

AAMC/ADEA Dental Loan Organizer and Calculator



- Joint effort with Association of American Medical Colleges (AAMC)
- www.AAMC.org/GoDental
- Easy to use debt management tool
 - Download NSLDS record into AAMC/ADEA DLOC
 - Estimate repayment under different plans
 - Estimate forgiveness amounts under 25-year IBR,
 20-year PAYE, Public Service Loan Forgiveness
 - Customize based on your salary and career

Ombudsman Office



- United States Department of Education Federal Student Aid
- www.ombudsman.ed.gov
- 877.557.2575

Borrower rights



- Written explanation of loan obligations
- Explanation of default and consequences
- Copy of MPN and return when loan paid in full
- Disclosure prior to repayment
- Be notified when your loan is sold
- · Federal subsidy, if eligible
- Forgiveness and discharge, if eligible
- May request forbearance, if needed
- Prepay without penalty

Borrower responsibilities



- Attend senior loan exit interview before you graduate
- Repay loan according to schedule
- Notify loan servicer regarding:
 - Anything impacting your ability to repay
 - Change in status, including graduation date
 - Change in name and contact information
 - Change in enrollment

Your action items



- Do inventory of student loan portfolio
- Determine repayment objectives
- Run repayment estimates under different repayment plans, including standard 10 year
- Open and read mail in timely manner
- Keep contact information current with loan servicers



CONGRATULATIONS AND BEST WISHES FROM ADEA!

Questions?