Repayment Primer

Tips to Help You Prepare to Enter Repayment on Your Student Loans
Class of 2015 Dental School Graduates

This repayment primer is intended to help you better manage your student loans as you prepare to transition from dental school to practice or advanced dental education, whether a school-based or an employee-based residency program. You will be working with your loan servicer(s) in repayment, so be sure your address and contact information is up to date and pay special attention to any correspondence from loan servicers.

In this Primer:

- Decision Points (What happens When you graduate)
- Repayment Options
- Forgiveness Programs
- Consolidation (there is a separate primer on this, see your school's Financial Aid Office [FAO])
- Postponing Payments During Advanced Dental Education
- Loan Servicing (there is a separate primer on this, see your school's FAO)
- Resources (Where to go for help)

Decision Points (What Happens When you Graduate)

- When you graduate, your loan servicer(s) is/are notified that you are no longer in dental school and you automatically enter any grace or similar period(s) you have on your student loans.
  - Different loans may have different grace periods, so loans may enter repayment at different times
    - Stafford loans have a six-month grace period.
    - Perkins loans have a nine-month grace period.
    - Health Professions Student Loans (HPSL) and Loans for Disadvantaged Students (LDS) have a 12-month grace period.
    - Private Residency and Relocation Loans for dental students have grace periods that will vary depending on the lender (examples include six-, nine-, and 36-month grace periods).
    - Some loans do not have grace periods and may come due immediately upon graduation (watch for correspondence from your loan servicer).
    - Grace periods are "loan specific." For example, if you used up a grace period on any loans you had before starting dental school, those grace periods are gone and those loans will come due when you graduate, six months earlier than some other loans.
- Approximately 30 to 90 days prior to the expiration of your grace period, watch for a notice from your loan servicer that your loan is about to enter repayment. Be sure your loan servicer(s) has your current address.

- Notice from loan servicer(s) should reference several options, but you can boil them down into two:
  1. Choose a repayment plan from among several options and start actively repaying your student loans, or
  2. Choose to postpone your payments through deferment or forbearance.

Repayment Options

The repayment options listed below are for Stafford, Grad PLUS, and Federal Consolidation loans. See www.StudentLoans.gov, Managing Repayment, for details. While there are some restrictions, you may switch repayment plans if needed; contact your loan servicer(s) if you have questions about changing repayment plans. Repayment term for Perkins, Health Professions Student Loans (HPSL) and Loans for Disadvantaged Students (LDS) is 10 years. Check your promissory note and/or disclosure statement for repayment terms on any institutional and/or private loans you may have.

- Standard
  - 10 years, same payment each month
  - Loan servicer will automatically place you in standard 10-year repayment plan if you do not choose a repayment plan when given the opportunity.
  - Monthly payments are higher than other plans, but total repayment costs are lower.
  - Standard repayment term for Federal Consolidation Loans is up to 30 years (look carefully at correspondence from loan servicer).
  - A 10-year standard repayment could be part of a repayment strategy for a dental school graduate who enters practice immediately, has steady income and/or whose budget allows for the relatively higher payments under a standard 10-year plan.
- Graduated:
  - Payments start lower and increase by designated amounts at designated intervals.
  - Usually 10 years, though some loan servicers may offer interest-only plans that may extend the repayment term.
  - Initial lower payments result in higher overall repayment costs when compared with Standard, unless payments are later accelerated.
  - Could be part of the repayment strategy for a dental school graduate who enters practice immediately, has steady income, but has other, more expensive financial commitments (for example, consumer debt) that need to be addressed over a relatively short period of time.
- Income-Driven Repayment Plans:
  - Monthly payments are based, at least in part, on income.
  - Multiple kinds, including Income Based Repayment (IBR), Pay As You Earn (PAYE) and Income Contingent Repayment (ICR). Note: Of these payment plans, PAYE offers the lowest monthly payment.
  - Borrower must renew eligibility each year.
  - Initial and/or subsequent lower payments result in higher overall repayment costs when compared with the standard 10-year plan unless payments are later accelerated.

    - **Please note:**
        - IBR is available for eligible borrowers on both Federal Family Education Loans (FFEL) and direct loans, but PAYE is only available to eligible borrowers on direct loans.
        - Information on income-driven plans available at www.StudentLoans.gov, Managing Repayment.
    - Could be part of the repayment strategy for a dental school graduate who:
        - Enters a residency program and either does not qualify for or does not want to postpone payments, but cannot afford payments under standard 10-year, graduated, or extended plans during residency.
        - Enters a residency program and, even if qualified to postpone payments, wants to begin making payments of some kind but cannot afford payments under other plans.
        - Enters practice immediately, has steady but relatively low income as compared with debt, and still meets income-related eligibility requirements for these plans.
        - Is interested in PSLF and whose career path is consistent with public service work (non-profit), such as research and academia.
- Extended (without consolidation)
    - Up to 25 years, same payment each month.
    - Graduated version of extended plan may be available (contact loan servicer).
    - Lower payments over extended period of time result in much higher overall repayment costs when compared with standard 10-year, unless payments are later accelerated (no penalty for aggressive repayment).
    - Could be part of the repayment strategy for a dental school graduate who:
        - Enters practice immediately, has steady income but has extremely high debt and cannot initially afford standard or graduated payments.
        - Can afford higher payments, but may need to show a lower DTI (debt to income) ratio for purposes of financing a home or practice.

Forgiveness Programs

The federal government will forgive a borrower's student loan debt under certain conditions and if borrowers meet certain eligibility requirements. You can get more information on forgiveness programs at www.StudentLoans.gov, Managing Repayment. Following is a brief description of these programs:

IBR 25-Year Forgiveness

- Borrower repays with IBR for 25 years and still has not repaid balance in full.
- Remaining balance after 25 years is forgiven.
- Forgiveness provision is not conditional on type of employment.
- Forgiveness amount will be subject to tax under the current tax law.
- Forgiveness applies to both direct and FFEL loans.

PAYE 20-Year Forgiveness

- Borrower repays with PAYE for 20 years and still has not repaid balance in full.
- Remaining balance after 20 years is forgiven.
- Forgiveness provision is not conditional on type of employment.
- Forgiveness amount will be subject to tax under the current tax law.
- Forgiveness applies only to direct loans.

PSLF

- Three conditions must be met *at the same time* for borrowers to qualify for PSLF:
  - Borrower must make 120 timely, scheduled payments with an eligible repayment plan such as IBR or PAYE, on
  - Direct loans (only direct loans qualify for PSLF), while
  - Working for an eligible public servicer employer (including non-profits).
- Forgiveness amount under PSLF is not subject to tax under the current tax law.

Consolidation

Consolidation is a process where you pay off multiple loans with one new loan. There are advantages and disadvantages to consolidation, and while it is an effective debt management tool for some dental school graduates, it is not appropriate for everyone. We anticipate that many dental school graduates in the Class of 2015 may not need consolidation.

- See the Consolidation Primer for information (available at www.adea.org, click on Current Students & Residents in the red ribbon).
- May also be available from your FAO.
  Federal Direct Consolidation Loan online application and FAQs available at www.StudentLoans.gov.

Postponing Payments

There are two ways to postpone payments on federal loans: deferment and forbearance.

- See www.StudentLoans.gov, Managing Repayment, for details or contact your loan servicer(s). Check promissory note and disclosure statements for postponement options on nonfederal loans, including private and institutional loans.
- Quick facts regarding deferment and forbearance:
  - Subsidized loans remain interest free during deferment.
  - Interest accrues on all loans during forbearance.
  - Borrowers remain in “good standing” during both deferment and forbearance.
  - Borrowers must meet specific statutory requirements for deferment eligibility.
  - Loan servicers have some discretion in granting forbearance.
  - Borrowers must submit multiple deferment/forbearance requests if they have more than one loan servicer.

- Deferments for dental school graduates doing advanced dental education (residents):
  - In-school deferment should be available for dental residents as long as their residency programs are affiliated with institutions of higher education that can certify they are enrolled on at least a half-time basis.
  - Dental residents at residency programs not affiliated with institutions of higher education are not eligible for in-school deferment.
  - Other deferment categories include military, peace corps, unemployment, and economic hardship (though dental residents rarely qualify for the latter).
- Forbearance
  - Multiple kinds, including mandatory internship residency forbearance for dental interns and residents.

Loan Servicing

One of the biggest challenges you may face in managing your student loans is dealing with loan servicers. Loan servicers are organizations contracted by your lender or current loan holder to work with you in repayment. The Department of Education (ED) is committed to helping ensure you have only one loan servicer for loans ED owns, so while you likely have multiple loans as you exit dental school, all your federally owned loans should be with one loan servicer.

- See the Loan Servicing Primer for help (available at www.adea.org, click on Current Students & Residents in the red ribbon).
- May also be available from your FAO.
- See www.StudentLoans.gov, Managing Repayment, for information.

Resources (Where to go for Help)

These websites may prove helpful as you craft your repayment strategy:
www.AAMC.org/godental

- AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC).
- The AAMC/ADEA DLOC allows dental school students and graduates to customize their repayment strategies by running repayment calculations based on their debt and salary expectations, including plans during residency.
- Estimates forgiveness amounts under IBR, PAYE and PSLF.

www.StudentLoans.gov

- Federal site with information on:
  - Repayment options, including calculators for IBR and PAYE.
  - Forgiveness programs, including PSLF.
  - Loan servicers.
  - Postponement options, including deferment and forbearance.
  - Consolidation, including the online application.

www.NSLDS.ed.gov

- Comprehensive listing of all Stafford, Grad PLUS, Federal Consolidation and Perkins loans, including information on servicers (click the number to the left of each loan).
- Direct loans ("directly from government") will say "direct" in the name listed on NSLDS.

www.irs.gov/publications/p970

- Information on tax benefits for education, including the Student Loan Interest Deduction

---

While ADEA seeks to ensure that all information provided is current and accurate as of February 1, 2015, it disclaims any responsibility for subsequent changes or for errors, omissions or contrary interpretation of the subject matter.

February 2015