ADEA | THE VOICE OF DENTAL EDUCATION

Repayment Primer

Tips to Help You Prepare to Enter Repayment on Your Student Loans
Class of 2014 Dental School Graduates

This Repayment Primer is intended to help you better manage your student loans as you prepare for the transition from dental school to practice or post-doctoral work, 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 FAO)
- Postponing Payments during post-doctoral work
- 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 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 6 month Grace period
        - Perkins Loans have a 9 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 6, 9, 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", so 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, 6 months earlier than some others*
- Approximately 30-45 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*

Decision points (continued)

- 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 under 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 (Level)
    - 10 years, same payment each month
    - Loan servicer will automatically place you in Standard 10 year repayment should you not choose a repayment plan when given the opportunity
    - Monthly payments higher than other plans, but total repayment costs are lower
    - *Standard repayment term for Federal Consolidation Loans may be 30 years (look carefully at correspondence from loan servicer)*
    - *10 year Standard repayment possibly part of a repayment strategy for 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
    - May be 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 later accelerated
    - *Possibly part of repayment strategy for dental school graduate who:*
        - *Enters practice immediately, has steady income, but who has other financial commitments that need to be addressed but over a relatively short period of time*

Repayment options (continued)

- Income-Driven Plans
  - Monthly payments are tied, at least in part, to income
  - Multiple kinds, including Income Based Repayment (IBR), Pay As You Earn (PAYE), Income Contingent Repayment (ICR), and Income Sensitive Repayment (ISR)
    - *IBR and PAYE usually offer the lowest monthly payment of these plans*
  - Borrower must renew eligibility each year
  - Initial and/or subsequent lower payments result in higher overall repayment costs when compared with Standard 10 year plan unless payments later accelerated
  - *PLEASE NOTE*:
    - IBR available for eligible borrowers on both FFELP and Direct Loans Pay As You Earn available for eligible borrowers on Direct Loans only
    - Information on income-driven plans available at www.StudentLoans.gov under Managing Repayment
  - *Possibly part of repayment strategy for dental school graduate who:*
    - *Enters a residency program and either does not qualify for or perhaps 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 Public Service Loan Forgiveness (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 later accelerated
  - *Possibly part of repayment strategy for 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 under Managing Repayment. The following is a brief description of these programs:

Income Based Repayment (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 employment
- Forgiveness amount will be subject to tax under current tax law
- Forgiveness applies to both Direct Loans and FFEL Loans

Paye As You Earn (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 employment
- Forgiveness amount will be subject to tax under current tax law
- Forgiveness applies only to Direct Loans

Public Service Loan Forgiveness (PSLF)

- Three things must happen *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 (which includes non-profits)
- Forgiveness amount under PSLF is not subject to tax under current tax law.

Consolidation

Consolidation is a process whereby you pay off multiple loans with one new loan. There are both 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 and we anticipate many dental school graduates in the Class of 2014 may not need consolidation.

- See the *Consolidation Primer* for help
    - Available at www.ADEA.org
- May also be available from your Financial Aid Office
- Federal Direct Consolidation Loan online application and FAQs available at www.StudentLoans.gov

Postponing Payments

- Two ways to postpone payments on federal loans: Deferment and Forbearance
- See www.StudentLoans.gov under Managing Repayment for details or contact your loan servicer(s)
    - Check promissory note and disclosure statements for postponement options on non-federal loans including private and institutional loans
- Quick factoids 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 (credit is protected)
    - Borrowers must meet specific statutory requirements for Deferment eligibility
    - Loan Servicers have some discretion granting Forbearance
    - Borrowers must submit multiple Deferment/Forbearance requests if they have more than one loan servicer
- Deferments for dental school graduates doing post-doctoral work (residents)
    - *In-School Deferment should be available for dental residents as long as their residency program is affiliated with an institution of higher education that can certify they are enrolled on at least a half-time basis*
    - *Dental residents at residency programs not affiliated with an institution of higher education are not eligible for the 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 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 is committed to helping ensure you have only one loan servicer for loans they own, 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
- May also be available from your Financial Aid Office
- See www.StudentLoans.gov under Managing Repayment for help

Resources (where to go for help)

These Web sites may prove helpful as you craft together your repayment strategy:

www.AAMC.org/GoDental

- Dental Loan Organizer and Calculator (DLOC)
- DLOC allows dental school students and graduates to customize their repayment strategy by running repayment calculations based on their own debt and salary expectations, including plans during residency
- Estimates forgiveness amounts under IBR, PAYE, and Public Service Loan Forgiveness

www.StudentLoans.gov

- Federal site with information on:
    - Repayment options, including calculators for Income Based Repayment (IBR) and Pay As You Earn (PAYE)
    - Forgiveness programs, including Public Service Loan Forgiveness (PSLF)
    - Loan Servicers
    - Postponement options, including Deferment and Forbearance
    - Consolidation, including the online application

www.NSLDS.ed.gov (National Student Loan Data System)

- 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, 2014, it disclaims any responsibility for subsequent changes or for errors, omissions, or contrary interpretation of the subject matter.

February 2014