

The Price of Success: Managing Student Loan Repayment



American College of Foot and Ankle Surgeons
Webinar
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Presenters



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Some Perspective

- \$1.5 Trillion in student loan debt
- 44 Million borrowers
- 2.2 Million borrowers with over \$100,000 in debt
- \$850 Billion for borrowers over age 40 (11%)
- 68% of students have loan debt
- Averages: \$37,000 for UG and \$190,000 for Health Professions



1. What is your current medical profession status?

- Student
- Resident
- Post Graduate Fellow
- In Profession 3 years or fewer
- In Profession 4 years or greater
- Other



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Repayment Strategy

- **Terms and conditions of student loans**
 - Interest rates and capitalization
 - Repayment and postponement options
 - Forgiveness provisions
- **Personal**
 - Control of your own debt
 - How disciplined you are to aggressively pay
 - Risk averse or non-risk averse
 - Confidence in federal government

* Factors in play when determining repayment strategy on loans.



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Considerations

- Best options are on Direct Loans
- One servicer for federal loans
- IDRs* provide manageable payments regardless of debt
- No penalty for overpayment
- Refinancing an option for many

* Income Driven Repayment plans like IBR, PAYE, or REPAYE



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More Considerations

- **Interest rates** up this year
- Repayment more complicated than ever
- Income plans have a downside
- Changes likely



Interest Rates

Year	Unsub*	Grad PLUS*
2018-2019	6.60%	7.60%
2017-2018	6.00%	7.00%
2016-2017	5.31%	6.31%
2015-2016	5.84%	6.84%
2014-2015	6.21%	7.21%
2013-2014	5.41%	6.41%



2. What best represents your current student loan debt level?

- Less than \$50,000
- \$51,000 - \$100,000
- \$101,000 - \$150,000
- \$151,000 - \$200,000
- \$201,000 - \$250,000
- \$251,000 or greater
- Other



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Repayment Plans*

1. Time driven
2. Income driven

* Federal loans



Time Driven

- End of term, debt retired
 - Standard 10 and Extended 25 year
- Payment calculation has nothing to do with income, marital status, how you file taxes, family size
- Great for budgeting
- Can switch to income plan later



Income Driven

- Designed for high debt borrowers who can't afford Standard 10 year
- Bigger the gap between federal debt and income, more likely you need IDR
- Multiple plans, **PAYE and REPAYE** newest and best plans, IBR older
- Consider plan with lowest payment



IDR Calculations

- Payments based on income and family size
- Payments change annually
 - Never EVER miss a deadline
- Prior year AGI or current income, if significantly different than prior AGI



Married and IDR

- Spousal income counted under all plans when filing jointly
- Spousal income always counted with REPAYE, regardless of filing status
- Spousal income not counted with IBR and PAYE when filing separately



Once in an IDR

1. PSLF kicks in after 10 years*
2. You retire the debt before the term is up
3. Debt left at end of term is forgiven, but is taxable

* Public Service Loan Forgiveness



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IBR, PAYE and REPAYE

	IBR (2009)	PAYE (2012)	REPAYE (2015)
Type loans	FFEL and Direct	Direct Loans only	Direct Loans only
Trigger date	None, all borrowers may apply	New borrowers as of October 2007	None, all borrowers may apply
Payment calculation	15% of DI*, capped at Standard 10 year	10% of DI*, capped at Standard 10 year	10% of DI*, no payment cap
Repayment term	25 years (any balance left forgiven**)	20 years (any balance left forgiven**)	25 years (any balance left forgiven**)
Capitalization	No limit	Capped at 10% of principal	No limit
Spousal income	Yes, but not if filing separately	Yes, but not if filing separately	Yes, regardless of filing status
Income requirement	Yes, borrower must demonstrate PFH***	Yes, borrower must demonstrate PFH***	No
Interest subsidy on unsubsidized loans	No	No	Yes, 50%, any time interest due higher than REPAYE amount
PSLF eligible	Yes, if payments on DL	Yes	Yes

* Discretionary Income ** Taxable *** Must demonstrate "Partial Financial Hardship"
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Switching plans*

- Work with loan servicer
- Capitalization likely when switching income plans
- Forgiveness “clock” does not reset

* Federal loans



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Examples

- Start in time driven, move to income plan later
- Start in income plan, then overpay, no need to switch plans



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PSLF*

- Designed to encourage borrowers to enter public sector by promising to forgive their debt tax free
- Podiatrists and PSLF
- PSLF may be on chopping block**
- Requirements
 1. 120 timely IDR payments on ...
 2. Direct Loans ...
 3. While working FT for eligible employer

* Public Service Loan Forgiveness

** Changes likely impacting first time borrowers



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3. What is your current student loan repayment status?

- Medical Student and an in-school deferment
- Resident in an in-school deferment
- Resident or Fellow in an Income Driven Repayment Program
- Professional in a 10 year Standard Repayment Plan
- Professional in an Extended Repayment Plan
- Professional in an Income Driven Repayment Program (IBR, PAYE or REPAYE)
- Other



\$200,000* debt with **\$120,000 starting salary**

	Monthly Payments	Total Amount Paid	PSLF 10 yr. Paid Out/ Forgiven	Non PSLF 20 or 25 yr. Plan Forgiveness
Standard 10 years	\$2,602	\$312,240	Nothing to forgive	NA
Extended 25 years	\$1,532	\$459,708	Not eligible	NA
REPAYE 25 years	\$285 to \$1,645	\$329,004	\$89,307/ \$259,353	\$232,769 (taxable)
PAYE 20 years	\$285 to \$1,406	\$236,202	\$89,307/ \$287,393	\$285,888 (taxable)
IBR 25 years	\$427 to \$2,468	\$493,506	\$133,961/ \$242,671	\$44,330 (taxable)

* Direct Unsub and Grad PLUS with applicable rates for Class of 2016

* 6 month window prior to repayment, no aggressive payments

* 3 year residency at \$52,000, **starting salary of \$120,000**, single, family size of 1



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\$200,000* debt with **\$160,000 starting salary**

	Monthly Payments	Total Amount Paid	PSLF 10 yr. Paid Out/ Forgiven	Non PSLF 20 or 25 yr. Plan Forgiveness
Standard 10 years	\$2,602	\$312,240	Nothing to forgive	NA
Extended 25 years	\$1,532	\$459,708	Not eligible	NA
REPAYE 25 years	\$285 to \$2,266	\$451,151	\$119,957/ \$239,145	\$81,238 (taxable)
PAYE 20 years	\$285 to \$1,941	\$323,249	\$119,957/ \$256,743	\$192,245 (taxable)
IBR 25 years	\$427 to \$2,602	\$433,116	\$179,936/ \$192,869	\$0

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* 3 year residency at \$52,000, **starting salary of \$160,000**, single, family size of 1



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Private refinancing

- Trading debt for debt
- Risky in residency, viable in practice
- Lenders generally consider credit, employment history, debt to income ratio
- More competitive than ever



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Questions to ask

- **Interest rates** and capitalization
- Repayment options (term)
- Postponement options
- Cosigner provisions
- Forgiveness
- Aggressive payments on principal



Interest Rates

- Fixed or variable
- Comparison to federal rates
- Realistic estimate of savings
- For variable rates
 - Minimum and maximum
 - How often reset and when disclosed
- Don't overcommit for lower rate



Questions to ask

- Interest rates and capitalization
- Repayment options (term)
- Postponement options
- Cosigner provisions
- Forgiveness
- Realistic comparison of numbers



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Should you refinance

- **Maybe, if you ...**
 - are ready to repay, perhaps aggressively
 - are not risk averse
 - don't need flexibility of federal loans
 - have trust concerns with government
- **Maybe not, if you**
 - need payments tied to income
 - are interested in forgiveness
 - are a bit on the cautious side



What to watch for

- New repayment plan options/simplification
- Changes to PSLF*
- PSLF and October 2019
- Fewer consumer protections
- More lenders offering refinancing
- **New borrowers or new loans**



Takeaways

- Repayment is absolutely doable
- Unlikely you have made any really bad decisions to this point
- Don't switch plans without careful consideration
- Documentation invaluable



Resources and Calculators

- Some allow NSLDS upload
- Note assumptions
- AAMC Medloans Organizer and Calculator at www.AAMC.org/FIRST
- Repayment Estimator at www.StudentLoans.gov
- Student Loan Resources at www.HACU.org Enrich



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Questions



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