SENIOR LOAN EXIT INTERVIEW
DENTAL SCHOOL CLASS OF 2017

Repayment Strategies
for Dental School Graduates
Considerations

- Dental school graduates have a 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*

- $262,119 mean debt all schools
- $238,582 mean debt public schools
- $291,668 mean debt private schools

- 23.7% no debt or debt less than $100,000
- 33.9% debt in excess of $300,000

* Source: ADEA, Indebted Graduates in the Class of 2016
Simple steps

1. Know **what** you borrowed, **who** services your loans and **when** they come due

2. Identify and constantly review your repayment objectives

3. Consider repayment options to help meet your repayment objectives
Step 1: Loan portfolio

• Federal loans at www.NSLDS.ed.gov
  – Information on loan servicers
  – Recent and upcoming graduates likely to have one loan servicer for all federally owned loans

• Campus-based loans
  – Different loan servicer than direct loans

• See credit report or financial aid office for loans not listed on NSLDS
  – Private loans not listed on NSLDS
Sample loan portfolio

- Direct unsubsidized
  - 6-month grace, fixed rate, MPN*
- Direct PLUS (Grad PLUS)
  - 6-month deferment, fixed rate, MPN*
- Campus-based (Perkins, HPSL, LDS)**
- Private loans**

* Master Promissory Note signed for these
** Check promissory note for terms and conditions
Private loans*

- These loans are unsubsidized
- Variable or fixed interest rate
- Terms and conditions vary by lender
- Not eligible for income-driven repayment plans or Public Service Loan Forgiveness
- Not eligible for federal consolidation
- No national database (check credit report)

* Private loans are not referenced on NSLDS
Interest rates

• Fixed rates on direct unsubsidized and direct PLUS (Grad PLUS)
  – Borrowers have different rates each year on new loans*
  – May help with aggressive repayment strategy

• 5% fixed on Perkins, HPSL, LDS

• Rates vary on private loans
  – Check disclosure statement

* Effective July 1, 2013, rates change on new loans disbursed on or after July 1 each year
Interest capitalization

• Accrued and unpaid interest is added back to principal of loan, increases balance
• Less frequent the better
• Usually occurs:
  – When loans enter repayment
  – When borrower has status change*
  – When borrowers opt out of an income-driven repayment plan or switches plans

* For example, end of grace to repayment or deferment to forbearance
Loan servicers

- Organizations lenders contract with to work with borrowers in repayment
- See [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov) for your servicer*
- Your federally owned loans should all be serviced by one loan servicer
- See [www.StudentLoans.gov](http://www.StudentLoans.gov) for details
- Keep contact information current

* Click on the number to the left of each loan on the financial aid summary page
When loans come due

- Most direct loans have 6-month window period before repayment starts
- Perkins loans have 9-month grace period
- HPSL and LDS have 12-month grace period
- Check terms on institutional and private loans
- Only get grace period once, so if used in entirety on loans prior to dental school, these loans should come due right after graduation
Step 2: Repayment objectives

- Aggressive, to reduce impact of interest accrual and capitalization
- Cautious, needing to protect income and maximize monthly cash flow
- Public Service Loan Forgiveness
- Repayment help in exchange for service commitment
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, especially if you are doing advanced dental education work

• Options at repayment
  1. Select repayment plan and start actively repaying your student loans
  2. Postpone payments
Options at repayment

1. Select repayment plan and start actively repaying your student loans

2. Postpone payments
Repayment reminders

- No penalty for aggressive repayment
- You can usually switch repayment plans*
- Payments are applied to outstanding interest first before principal*
- Voluntary and additional payments may be targeted on most expensive loans*

* Work with loan servicer
Step 3: Pick a plan*

- **Time-driven**
  - Standard 10 year**
  - Extended 25 year**

- **Income-driven repayment (IDR)**
  - Income-Contingent Repayment Plan (ICR, 1994)
  - Income-Based Repayment Plan (IBR, 2009)
  - Pay As You Earn (PAYE, 2012)
  - Revised Pay As You Earn (REPAYE, 2015)

* Federal loans
** Graduated versions of these should be available
Standard 10 year

- 120 level payments
- Calculations not dependent on income
- You get this plan if you don’t choose one when given opportunity by loan servicer
- Possibly part of strategy for graduate with
  - Relatively low debt
  - Steady income moving right into practice
  - Other resources to help with repayment
Extended 25 year

• 300 level payments
• Total repayment much higher if held to term and payments not accelerated
• Possibly part of strategy for graduate who
  – Has high debt and wants same payment each month
  – Needs to show lower debt-to-income ratio
  – Could afford higher payment but wants a lower required payment each month
Income-driven repayment

- Designed for highly indebted borrowers who cannot afford repayment under other plans, most notably Standard 10 year
- Bigger the gap between federal debt and income, more likely these plans needed
- Monthly payments change annually
- Payments based on income and family size
IDR pros and cons

• Advantages
  – More manageable monthly payments
  – May lead to forgiveness

• Disadvantages
  – Payments may not cover interest, if gap between debt and income is high
  – Nuances of plans can be confusing
  – Plan forgiveness subject to income tax
## IDR comparison

<table>
<thead>
<tr>
<th></th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Loans</td>
<td>FFEL* and Direct</td>
<td>Direct loans only</td>
<td>Direct loans only</td>
</tr>
<tr>
<td>Borrowers</td>
<td>All</td>
<td>New borrowers as of October 2007</td>
<td>All</td>
</tr>
<tr>
<td>Payment</td>
<td>15% of PDI**, capped at original Standard 10 year</td>
<td>10% of PDI**, capped at original Standard 10 year</td>
<td>10% of PDI**, no cap to payment amount</td>
</tr>
<tr>
<td>Calculation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFH*** Required</td>
<td>Yes</td>
<td>Yes</td>
<td>No, all incomes qualify</td>
</tr>
<tr>
<td>Spousal Income</td>
<td>Yes, but not if filing separately</td>
<td>Yes, but not if filing separately</td>
<td>Yes, regardless of filing status</td>
</tr>
</tbody>
</table>

* Federal loans from a private lender, not allowed since 2010-11 academic year
** Personal disposable income
*** Partial Financial Hardship
# IDR comparison

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<tr>
<td>Repayment Term and Forgiveness</td>
<td>25 years</td>
<td>20 years</td>
<td>25 years if any graduate loans, 20 years if UG only</td>
</tr>
<tr>
<td>PSLF* Eligible</td>
<td>Yes, on direct loans</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Capitalization Limit</td>
<td>None</td>
<td>10% of original principal</td>
<td>None</td>
</tr>
<tr>
<td>Interest Subsidy on Unsub Loans</td>
<td>No</td>
<td>No</td>
<td>Yes, 50% any time interest due exceeds calculated REPAYE amount</td>
</tr>
</tbody>
</table>

* Public Service Loan Forgiveness
IDR forgiveness

- **PAYE forgiveness provisions**
  - Balance forgiven after 20 years*
  - Not dependent on type of employment
  - Balance subject to tax under current tax law

- **IBR and REPAYE forgiveness provisions**
  - Balance forgiven after 25 years*
  - Not dependent on type of employment
  - Balance subject to tax under current tax law

* 20 years with REPAYE if no graduate school loans
Takeaways

- Income-driven repayment plans provide responsible borrowers with high debt a way to effectively manage their loan debt
- Consider other more aggressive plans first, then back into use of IDRs
- No penalty for overpayment on IDRs
- Work with loan servicer on IDRs
  - Apply online at www.StudentLoans.gov
Options at repayment

1. Select repayment plan and start actively repaying your student loans

2. Postpone payments
Postponement options

- **Deferment***
  - School-based advanced dental education program
  - Graduate fellowship
- **Forbearance***
  - Mandatory Residency Forbearance
  - Other options, work with loan servicer
- See [www.StudentLoans.gov](http://www.StudentLoans.gov) for details

* Credit protected, borrower considered in good standing
Public Service Loan Forgiveness (PSLF)

- Passed into law in 2007 to encourage borrowers to enter and remain in the public sector for at least 10 years with promise to forgive their debt at that time
- Borrowers must meet eligibility requirements
- First borrowers should qualify in 2017
PSLF eligibility

- Three things must happen at the same time in order to qualify for PSLF
- Borrowers must:
  - Make 120 timely, scheduled payments with an eligible repayment plan like IBR, PAYE or REPAYE,*
  - On eligible loans (only direct loans qualify),
  - While working full time (at least 30 hours) for an eligible employer.

* Income Based Repayment, Pay As You Earn, Revised Pay As You Earn
Steps to PSLF

1. Ensure all loans are in direct loan program
2. Start making payments with an IDR*
3. Submit PSLF Employment Certification Form each year to FedLoan Servicing
   – They will confirm PSLF employer eligibility
   – They will help you track eligible payments
4. You apply for PSLF after all payments made

* Income driven repayment plan like IBR, PAYE or REPAYE
Comments on PSLF

- May help if interested in academic dentistry
- Consider preserving the option for PSLF if you enter a hospital-based residency*
- Repayment strategy tied to PSLF inconsistent with aggressive repayment
- Proposal to limit PSLF forgiveness amount**

* Payments likely much lower in residency, which may increase forgiveness amount
** Proposal only at this time, and for graduate and professional students
REPAYMENT

Repayment estimates using AAMC/ADEA Dental Loan Organizer and Calculator

www.ADEA.org/DLOC

AMERICAN DENTAL EDUCATION ASSOCIATION
Repayment assumptions

- $262,119 mean debt
  - $162,000 direct unsubsidized, remainder direct PLUS
- Applicable interest rates by year with interest capitalized at repayment
- Six-month window before payment begins
- No prepayments
- Single, family size of 1 for PAYE and REPAYE
- $160,000 starting salary
- $53,243 GPR stipend (one year program)

* Source: American Dental Association (ADA); GPR is General Practice Residency
Repayment directly into practice

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<tr>
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<th>Years</th>
<th>Monthly Payment</th>
<th>Total Paid</th>
<th>PSLF Paid</th>
<th>Plan Forgiveness</th>
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<td>Standard</td>
<td>10</td>
<td>$3,456</td>
<td>$414,679</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td>Extended</td>
<td>25</td>
<td>$2,055</td>
<td>$616,489</td>
<td>NA</td>
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<td>REPAYE</td>
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* PSLF forgiveness highlighted in red, not subject to tax

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<td>REPAYE</td>
<td>25</td>
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<td>$328,688</td>
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<td>$295 to $2,054</td>
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<td>$353,519</td>
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* PSLF forgiveness highlighted in red, not subject to tax
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 offer programs
- Consider tax implications
Federal consolidation

- Paying off multiple federal loans with one new federal loan
- Federal government’s Direct Consolidation Loan only federal consolidation option
- Information and online application at www.StudentLoans.gov
- You consolidate with the government, but you can choose your loan servicer
- Many recent graduates are not candidates
Pros and cons

• Advantages
  – Convenience of one loan servicer
  – Helps maximize PSLF* amount
  – May allow repayment with PAYE** or REPAYE**

• Disadvantages
  – Partially negates aggressive repayment
  – Slightly higher rate
  – Perkins converted to unsub status if included
  – Loss of grace period if consolidate too early

* Public Service Loan Forgiveness
** Pay As You Earn and Revised Pay As You Earn
Should you consolidate?

- You may be a candidate if
  - You have multiple loan servicers and want the convenience of one
  - You have non-direct loans and want to maximize forgiveness with PSLF*
  - You have non-direct loans and want to repay entire loan balance with PAYE or REPAYE**

* Public Service Loan Forgiveness
** Only direct loans may be repaid with PAYE and REPAYE
Should you consolidate?

• You may not be a candidate if
  – You are interested in aggressive repayment and want to target additional funds on your most expensive loan
  – You already have one loan servicer
  – Your entire student loan portfolio is in the direct loan program
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
Exit interview takeaways

- Dental school graduates have great track record for repayment
- Consider all repayment options
- Constantly evaluate your repayment objectives and repayment plan, and change if needed
- No penalty for aggressive repayment
Resources

- AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
  - [www.ADEA.org/DLOC](http://www.ADEA.org/DLOC)
  - Customize repayment based on your own student loan portfolio and career plans
  - Estimates of forgiveness amounts under income driven repayment plans and Public Service Loan Forgiveness
Resources

- **ADEA.org**
  - Repayment modules and more information
- **www.StudentLoans.gov**
  - Repayment Estimator
- **www.NSLDS.ed.gov**
  - Federal database
  - Upload this data into AAMC/ADEA DLOC
- **www.irs.gov/publications/p970**
  - Information on student loan interest deduction
Ombudsman

- United States Department of Education Federal Student Aid
  - [www.StudentAid.ed.gov/ombudsman](http://www.StudentAid.ed.gov/ombudsman)
  - 877.557.2575
Action items

• Do inventory of student loan portfolio
• Determine repayment objectives
• Run repayment estimates
  – AAMC/ADEA Dental Loan Organizer and Calculator can help at www.ADEA.org/DLOC
• Open and read mail in timely manner
• Keep contact information current with loan servicers
CONGRATULATIONS!

Questions?