SUNY Downstate

Medical Students guide to student loans

The Financial Aid Office 2017

Quick thoughts about repayment

* 1) Be organized and pay attention to the details of your loans.
* 2) Set a monthly budget you can live with
* 3) Choose an affordable repayment amount
* 4) Sign up for automatic repayments
* 5) Do not ignore your loans. If you have an issue making a payment contact your servicer for options.
* 6) Avoid: STUDENT LOAN DEBT RELIEF COMPANIES
* 7) A rule of thumb is to have no more in total student loans then you can expect as your yearly salary. This will allow you to comfortably pay back your loans.

Think of two periods in Repayment

* While you are in residency you should be thinking about minimizing the interest that is accumulating.
* When you finish your residency you need to think about how you can be finished with the loans ASAP.
  * A) Through Public Loan Forgiveness
  * B) Through paying the loan as quickly as your budget allows. (Standard Repayment)

How Much do you owe?

- 1) Go to the NSLDS for students web site to find out what loans you have and who is servicing them.
- https://www.nslds.ed.gov/nslds/nslds_SA/
- 2) The amount you see will change when you go into repayment if you have Unsubsidized Loans & Graduate PLUS Loans. The interest on these loans has been accumulating and will be added to the principal when you go into repayment.

Interest

* Your Unsubsidized and Graduate PLUS/PLUS loans are accumulating interest after the loan is fully disbursed.
* The interest is added to the principal of the loan when you enter repayment and then again at the end of each year while you are in residency.
* If you do not pay the full amount of interest while in repayment each year, that portion gets added to the principal of the loan.
* At first you pay more interest then principal when in repayment.

* **Student X graduated May 2016 with total loans of $166,666**

* Her question: I am trying to apply for the IBR plan to pay back my loans. I make about 60,000$ a year as a resident and my repayment plan estimates my payment at 368$ a month). I am not eligible for deferment and am only eligible for the forbearance, but **$12,602.17 of interest** would capitalize after 12 months. What is the best option for me.

Student X

* A) If you are able to pay on the Standard 10 year repayment that would give you the lowest amount repaid and be best.
* B) If you can not make the Standard repayment then starting with the REPAYE option would be best. This will help subsidize some of the interest that might be accumulating on the loan.

Is forbearance an option for Student X?

* A) I would say if you are not able to make the lowest income based repayment then consider it a short term solution.
* Why) The interest gets added into the principal of the loan. For example after the first year $12,602.17 of interest would capitalize to the principal of $166,666 for a new total borrowed of $179,268.17. In the long run your loan totals would grow at a very high rate in forbearance. This does NOT count towards Public Loan Forgiveness.

Is IBR an option for Student X?

- A) IBR is making payments that count towards Public Loan Forgiveness even if that payment is $0.

- Downside) The interest not paid would capitalize to the principal.

What about Extended Repayment?

* This extends your payments over 25 years. This repayment does not qualify for public loan forgiveness. You pay more interest in the long run paying the loan off. Generally lower than payments made under the Standard and Graduated Repayment Plans.
* * If you finish your residency and are having some difficulty paying your loans this is an option to pay less over a longer period of time. * You pay more interest this way.

What about Graduated Repayments?

* Under this plan, your monthly payments start out low and increase every two years, are made for up to 10 years for all loan types except Direct Consolidation Loans and FFEL Consolidation Loans, will never be less than the amount of interest that accrues between your payments, and won’t be more than three times greater than any other payment. This does not qualify for PSLF.

Interest Each Month

* If you are able, you should always pay at least the interest each month. If you don't, your loan balances will continue to grow and you will owe interest on the interest not paid in prior months.
* Student loan interest is typically compounded daily, which means your interest rate is divided by the number of days in the year and you are charged daily based on the outstanding balance that day.

Capitalized interest

* Capitalized interest is a second reason your loan may end up costing more than the amount you originally borrowed.

* Interest starts to accrue (grow) from the day your loan is disbursed (sent to you or your school). At certain points in time—when your separation or grace period ends, or at the end of forbearance or deferment—your Unpaid Interest may capitalize. That means it is added to your loan's Current Principal. From that point, your interest will now be calculated on this new amount. That's capitalized interest.

How are extra student loan payments treated?

* When you make your monthly payment, you are given the option to pay extra. If you do, AND if you have paid the full interest that extra payment is applied directly to the principal, which will reduce your interest in the future.
* Any other extra payments made mid-month are treated like a normal payment, where your payment is first applied to all interest accrued since the last payment, then the remaining amount is applied to the principal.
* Don't underestimate the power of early payments. Paying an extra $50 or $100 each month can save you thousands of dollars in interest depending on your loan terms.

Interest Subsidy Under REPAYE

- If you have subsidized loans and your monthly payment amount under REPAYE is not sufficient to pay the amount of interest that accrues on a monthly basis, the federal government will subsidize 100% of that accruing interest for the first three consecutive years. After the three-year period is over, the interest that's not covered by your monthly payment will be subsidized at 50% instead of 100%.
- Also, if you have unsubsidized loans, your unsubsidized interest will be subsidized at 50% for any period(s) of time that your REPAYE monthly payment due is not sufficient to pay the monthly interest.
- The subsidized interest may be taxable!

Student X Marriage Penalty?

* Student X asks I understand there is a marriage penalty when I request my repayment plan. Should I file my tax return separate from my spouse to avoid the penalty and pay less on my student loans?

Tax penalty?

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold
		Your tax is—			
39,000					
39,000	39,050	5,550	4,931	5,550	5,196
39,050	39,100	5,563	4,939	5,563	5,204
39,100	39,150	5,575	4,946	5,575	5,211
39,150	39,200	5,588	4,954	5,588	5,219
39,200	39,250	5,600	4,961	5,600	5,226

First when you file separately you loose exemptions and have a higher AGI.

Second you pay taxes at a higher rate then if you were married. See IRS tax rates on left.

You pay the IRS more for the ability to pay less on your student loans.

Student X

* A) I would ask your accountant how much more it costs in payments to the IRS for the ability to pay less on your student loans.
* In most cases I would suggest you file taxes married, pay the IRS less and find the repayment plan that works best even if it is considering your spouses income.

Repayment over time 10 Years

* Loan Balance: $120,000.00
* Loan Interest Rate: 5.00%
* Loan Term: 10 years
*
* Monthly Loan Payment: $1,272.79
* Number of Payments: 120
*
* Cumulative Payments: $152,734.21
* Total Interest Paid: $32,734.21

Repayment over time 20 Years

* Loan Balance: $120,000.00
* Loan Interest Rate: 5.00%
* Loan Term: 20 years
*
* Monthly Loan Payment: $791.95
* Number of Payments: 240
*
* Cumulative Payments: $190,066.72
* Total Interest Paid: $70,066.72

Public Loan Forgiveness

* The Public Service Loan Forgiveness (PSLF) Program forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer.

Which types of federal student loans qualify for PSLF?

* A qualifying loan for PSLF is any loan you received under the William D. Ford Federal Direct Loan (Direct Loan) Program.

* You may have received loans under other federal student loan programs, such as the Federal Family Education Loan (FFEL) Program or the Federal Perkins Loan (Perkins Loan) Program. Loans from these programs do not qualify for PSLF, but they may become eligible if you consolidate them into a Direct Consolidation Loan. However, only qualifying payments that you make on the new Direct Consolidation Loan can be counted toward the 120 payments required for PSLF. Any payments you made on the FFEL Program loans or Perkins Loans before you consolidated them don’t count.

* If you have both Direct Loans and other types of federal student loans that you want to consolidate to take advantage of PSLF, it’s important to understand that if you consolidate your existing Direct Loans with the other loans, you will lose credit for any qualifying PSLF payments you made on your Direct Loans before they were consolidated. In this situation, you may want to leave your existing Direct Loans out of the consolidation and consolidate only your other federal student loans.

What jobs Qualify for PSLF?

* This is largely determined by employer. Public service includes full-time employment by a 501(c)(3) tax-exempt non-profit or public institution (which many hospitals are). It also includes working in areas that are underserved or have a high need for medical professionals.

* Borrowers must make 120 payments (monthly payments for 10 years) while carrying out PSLF-qualified work. Then, the federal government will forgive the remaining debt.

Tips for PSLF

- 1) You MUST be in certain income based repayment plans and make on-time payments for the time to count.
- 2) Your job MUST qualify: It is best to certify your employer each year to make sure they qualify.
- 3) Forbearance does not count towards the 10 years.
- 4) Do NOT give up employment opportunities that pay significantly better that do not qualify for PSLF.
- 5) Be flexible: If the terms and conditions change in qualifying for PSLF and the amount that can be forgiven changes, be ready for your plan B.
- 6) We can not predict the future of PSLF!

Grace Period?

- **Should I give up my grace period?**

- Grace period is a six month period after graduation you are not required to make payments on you loans.
- Subsidized Loans do not accrue interest during the Grace Period.
- Unsubsidized Loans, Graduate PLUS Loans, and PLUS loans do accrue interest during the grace period.
- Another way to think about it: If your loans are accruing $1,000 per month interest, you are paying $6,000 for the right to not make payments during the 6 month grace period.

Can I refinance the student loans from a private lender?

* Yes, but……….
* 1) Wait until you are done with residency
* 2) Wait until you are settled financially
* 3) Make sure you understand the terms and conditions
* 4) Check out the company/lender thoroughly
* 5) It is best if what you want to do is pay off your loan as quickly as possible.
* 6) If you refinance you loose all the repayment options the Direct Loans offer including forbearance.
* 7) Is it a significantly lower interest rate?
* 8) Can you include your private student loans?

Federal Consolidation?

* You can consolidate your Federal loans into one loan
* You get the weighted average interest rate

* Do you need to do it?
* Maybe not, you may have all your loans under one servicer and may not have Perkins loans or may want to leave your Perkins loans separate.

A Doctor Burdened by Medical-School Loans (Wall Street Journal)

* Dr. Hackman, age 33, earns about $200,000 a year as an internist and lives outside of Sacramento. Loan payments consume about a third of his after-tax income, he says, making it challenging to save for the future.
* $160,000 in debt when he graduated 2009, The loans ballooned to $240,000 after three years of residency and a year as a researcher in an oncology lab.

* http://www.wsj.com/articles/advice-for-a-doctor-burdened-by-medical-school-loans-1446433524

A Doctor Burdened by Medical-School Loans (continued)

* 1) Dr. Hackman went into forbearance for those 4 years and the interest he did not pay was capitalized. That is how he ended up with loans totaling $240,000.
* 2) He borrowed wisely while in medical school but his total borrowing ballooned to more then his yearly income after residency.
* 3)You want to have borrowed no more in total loans then your yearly salary to be able to comfortably pay back your loans.

Perkins Loans

If you have had Federal Perkins Loans from SUNY Downstate you complete your exit interview and make payments directly with the SUNY Student Loan Service Center

(518) 525-2626

Web address: http://slsc.albany.edu

Wax Loan

* If you have had a Wax Loan you need to complete an exit interview with the Bursar.
* You will contact the Faculty Student Association (FSA) at 718-270-3187 about repayment.
* Repayment begins after you complete your residency.

Thoughts

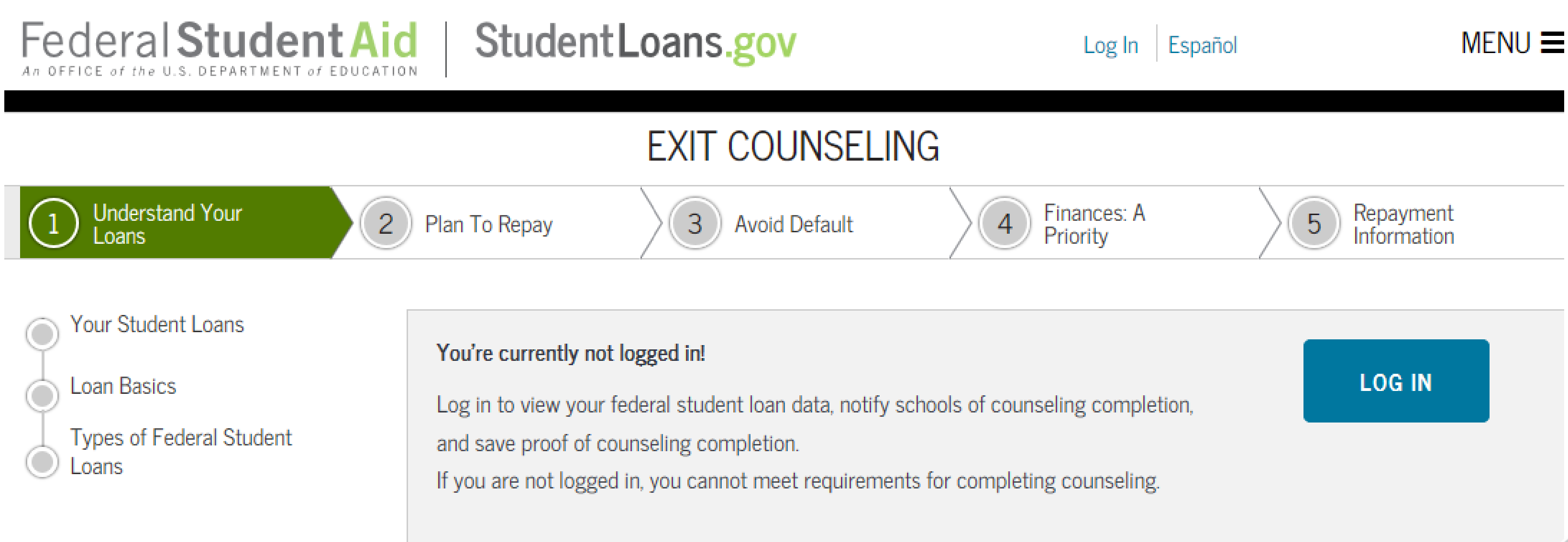
* **Minimize the accumulation of interest to your loans while in residency.**
* Do this even if you are thinking, I am going to do public loan forgiveness and it will not matter. It may be important if the terms and conditions of PSLF change down the road.
* Allowing the interest to accumulate during residency can quickly grow the amount you owe.
* **It is easier to prevent financial distress then it is to cure it.**

Thoughts

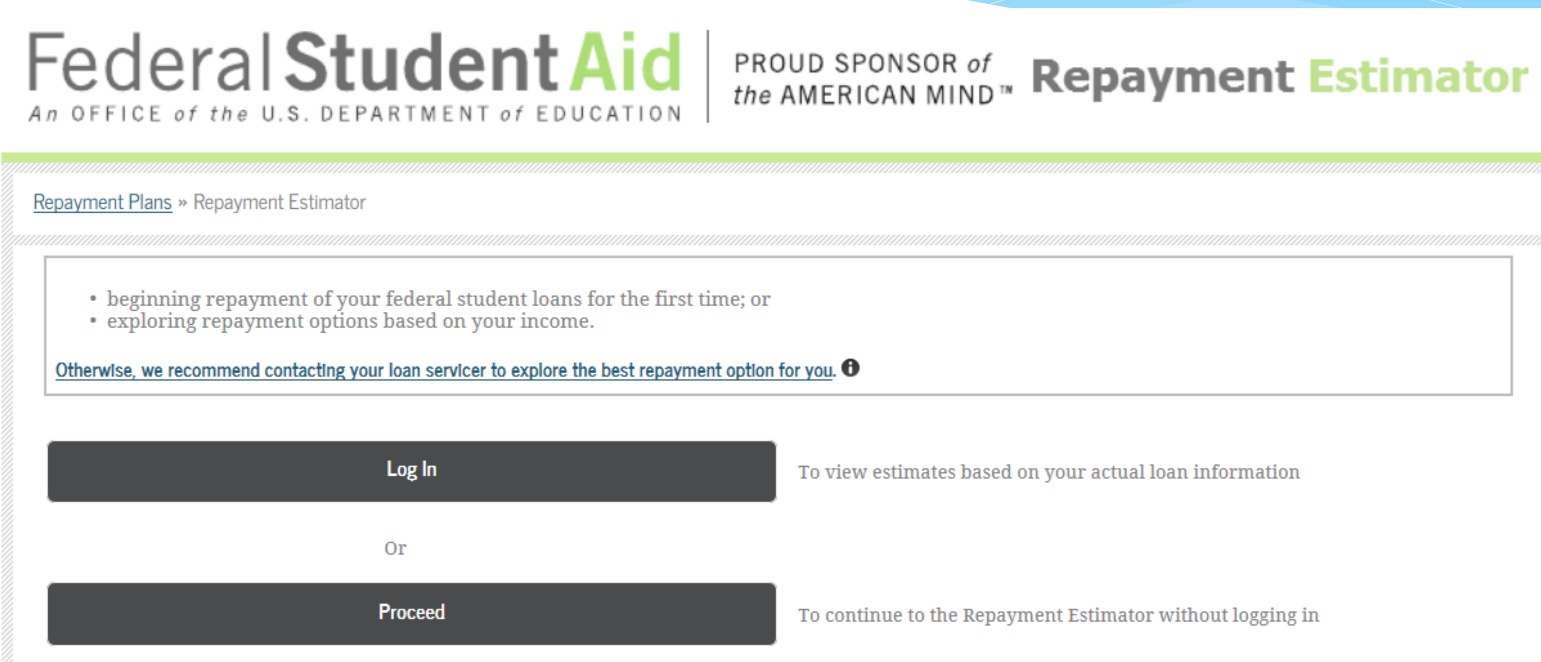
* Ask questions and then do your own research.
* Stay abreast of changes in repayment plans and public loan forgiveness.
* At some point before you complete your residency I would advise you to find and consult with a financial consultant. Find one that is not trying to sell you on whole life insurance , investing in a specific mutual fund, etc.

Federal Direct Exit interview

* Complete at: https://studentloans.gov



After you complete the Exit Interview use the Repayment estimator



If you have been unable to solve a problem with your federal student loan, you can ask the Federal Student Aid Ombudsman Group for help.

Postal Mail	U.S. Department of Education FSA Ombudsman Group P.O. Box 1843 Monticello, KY 42633
Phone	1-877-557-2575
Fax	606-396-4821

Thank You for attending

* If you have questions please feel free to e-mail our office at:
* financialaid@downstate.edu