

Medical School Debt Management



**EVERYTHING YOU NEED TO KNOW
(IN 30 MINUTES OR LESS)**

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During Medical School



- **Debt management begins during school:**
 - Minimize debt as much as possible – be wary of the “drop in the bucket” way of thinking
 - Search for outside scholarships
 - Talk to your financial aid office
 - Make – and stick to – a budget
- **Keep track of your loans**
 - Know all the terms and conditions of your loans
 - Be organized so there are no surprises later



Types of Loans

During undergrad and medical school, you may borrow a variety of loans.

- **Federal Student Loans**
 - Subsidized (undergrad)
 - Unsubsidized
 - Graduate PLUS
 - Other: Perkins, PCL, LDS, HPSL
 - Consolidation
- **Private Student Loans**
 - Private education loans (from a bank)
 - Institutional loans (from your school)
- **Other Private Debt**
 - Bank or personal loans
 - Credit card debt
 - Residency/relocation loans
 - Try the Motley Fool Debt Workbook



Locating your Loans

It is your responsibility to make sure your loan servicer is able to contact you.

Make sure your contact information is up-to-date!

You should receive periodic statements from all of your loan servicers, even during school.

If you're unsure:

- Ask your financial aid office
- Ask your parents
- Federal Loans: nslds.ed.gov
- Private loans: check your credit report
 - www.annualcreditreport.com

Get – and Stay – Organized



- Create a file for each servicer
 - Keep copies of everything, and notes on all conversations.
- Get a username and password for each servicer's website.
- Know your terms and interest rates for all of your loans.
 - If you have old loans that are variable or not Direct Loans, consider consolidation: studentloans.gov
- Keep spouse/significant other informed so s/he can help.
- **OPEN YOUR MAIL.**
 - Do not ignore your servicer's requests, even if you think they're mistaken.



Options during Residency

Make a plan for residency before you start.

For your federal loans, you may choose to repay, or not.

For private loans, contact your loan servicer.

- **Internship/Residency Forbearance**
 - No payments are due, interest accrues
- **Repayment**
 - Standard repayment
 - Extended repayment
 - Graduated repayment
 - Income-Driven Repayment: based on your income and family size

Internship/Residency Forbearance



- Available for federal subsidized, unsubsidized, Grad PLUS, and consolidation loans (not Perkins)
- Good for 12 months at a time, must fill out the right form and have it signed by residency program
- “Mandatory” – lender may not refuse
- Check your account online to make sure forbearance is applied correctly
- Beware accruing interest
 - Set aside money each month in an emergency fund, then pay your interest before it capitalizes if you don't have an emergency

Loan Repayment



Repayment plan options:

- **Standard**
 - 10-year level repayment – default if you don't choose otherwise
- **Extended**
 - Up to 25 years – will lower the monthly payment, increase total interest if you actually take 25 years to repay
- **Graduated**
 - Starts out low, increases every 2 years – we don't recommend it
- **Income-Based**
 - IBR, PAYE, or REPAYE, depending on eligibility – 15% or 10% of your “discretionary” income, regardless of debt level

Income-Based Plans



- **Payment of 10-15% of AGI that exceeds 150% of poverty line**
 - IBR: 15%, available on all federal Stafford loans
 - PAYE: 10%, “new borrower” as of 10/1/07, must have received a loan 10/1/2011
 - REPAYE: 10%, available to all Direct Loan borrowers – this plan is usually best for single medical residents
- **Must reapply every year and submit tax returns**
 - IBR/PAYE: can file taxes separately to avoid using spouse’s income
- **Remaining debt forgiven after 25 years (20 for PAYE)**
- **Eligible for Public Service Loan Forgiveness**
- **Financial benefits**
 - IBR/PAYE: Small subsidy on unpaid sub loan interest
 - REPAYE: half of all unpaid interest will be subsidized
 - Unpaid interest will not capitalize as long as you are in the same plan



After Residency

- Fellowship: Federal loans are eligible for the Graduate Fellowship Deferment
 - No payments are due, no interest accrues on subsidized loans
- Options during financial difficulty
- Loan Repayment/Forgiveness Programs
- Repayment

Options During Financial Difficulty



Federal loans:

- Economic Hardship Deferment
- Unemployment Deferment
- General Forbearance (up to 3 years)
 - Call and ask BEFORE you are late on a payment
- Forgiveness upon death or total permanent disability
 - So: do not purchase life insurance to cover your loans

Private loans:

- Ask your servicer, find out about capitalization

Loan Repayment Programs



- **NIH:** www.lrp.nih.gov
 - \$70,000 for 2+ years of biomedical or behavioral research in one of five research areas -- clinical; pediatric; health disparities; contraception and infertility; and clinical research for individuals from disadvantaged backgrounds
- **NHSC:** nhsc.hrsa.gov/loanrepayment
- **Military:**
 - www.goarmy.com/amedd
 - www.navy.com/healthcare/physicians
 - www.afit.edu/adhplrp
- **Indian Health Service:**
 - www.ihs.gov/loanrepayment
- **State programs:** www.aamc.org/stloan

Public Service Loan Forgiveness



- Must have Direct Loans (can consolidate)
- Must make 120 monthly payments under qualifying plan (IBR/PAYE/REPAYE)
- Must work in public service during those 120 months
 - Any government or non-profit [501(c)(3)] organization
- Remaining debt after 10 years will be forgiven
- Good option if you can pay during residency and plan to have a low income for 5+ years
- No program to “join” – submit employment certification form and then apply at end of 10 years
- Once you submit employment certification, loans will be transferred to Fedloan Servicing

Loan Repayment



Three general approaches after residency:

- **Fast & Furious**
 - If you're making \$150,000 and can live on \$50,000, then you'll have (after taxes) about \$60,000/year to throw at your loans
 - You can always prepay (pay more than required) without penalty
- **Standard Repayment**
 - Sign up for the 10-year repayment, pay extra when you can
- **Slow and Steady (pays the most)**
 - Take as long as possible to repay, to keep your monthly payment low
 - minimizes the impact of your student loan payment on your Debt-to-Income ratio (important if you're getting other credit)
 - May be a decent option if your interest rates are fixed and low

Loan Repayment - Tips

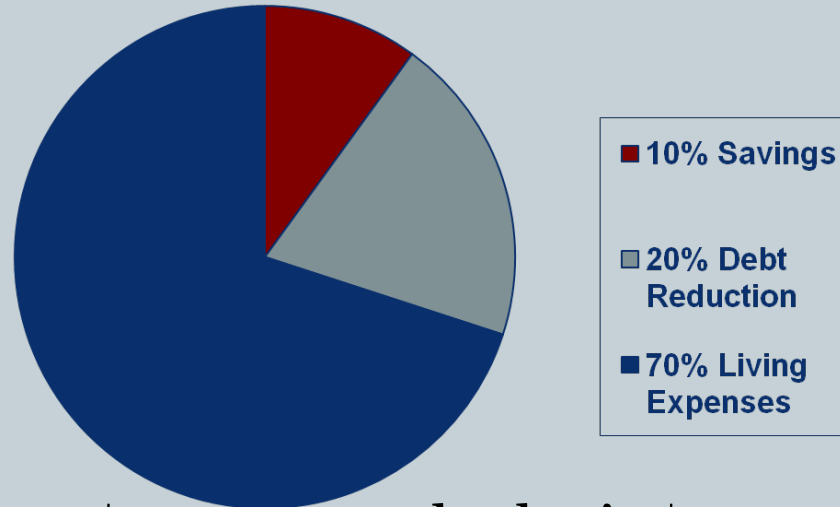


- Debt repayment – two methods: highest-rate vs snowball repayment
- Sign up for automatic payments
 - You'll never get a late fee, and there may be incentives
 - Balance your checkbook!
- Put alerts on your calendar – due dates, form reminders, recertifying income, etc.
- The interest you pay is tax-deductible, but maybe only while you're in residency (income limits)
 - Higher education tax benefits: www.irs.gov/publications/p970

Loan Repayment - Tips



- Stick to a budget.
- If you've never made a budget before:



- If you bring home \$3000/month, that's \$300 to savings, \$600 towards debt reduction, and \$2100 to live on.
- Every time you get a raise: 1/3 for taxes, 1/3 for debt/savings.
- Don't hesitate to see a financial professional if needed.



Resources

- **AAMC's FIRST:**
<https://students-residents.aamc.org/financial-aid/>
- **Department of Ed Ombudsman**
www.ombudsman.ed.gov
877-557-2575
- www.annualcreditreport.com
- Studentloans.gov
- www.donotcall.gov and opt out:
1-888-5OPTOUT
www.optoutprescreen.com

UVA School of Medicine Financial Aid Office



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