Subsidized Versus Unsubsidized

- Direct Subsidized
- Perkins Loans
- Primary Care Loans
- Loans for Disadvantaged Students
- Institutional Loans
- Consolidation Loans

- Direct Unsubsidized
- Direct PLUS
- Private Loans
- Institutional Loans
- Consolidation Loans

*Subsidy and deferment rights lost during consolidation

Fixed Interest Rates for the Class of 2017

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Rate 2016-2017</th>
<th>Rate 2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>5.0%</td>
<td>6.31%</td>
</tr>
<tr>
<td>Direct Unsubsidized</td>
<td>6.31%</td>
<td>6.31%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>6.84%</td>
<td>6.84%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>6.84%</td>
<td>6.84%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>6.84%</td>
<td>6.84%</td>
</tr>
<tr>
<td>Direct PLUS</td>
<td>8.41%</td>
<td>8.41%</td>
</tr>
</tbody>
</table>

Capitalization

Amount Borrowed (Principal Balance)

- $150,000
- $180,000
- $200,000
- $250,000
- $300,000

Interest

- $22,700
- $27,000
- $31,000
- $40,000
- $49,000

Owed after Grace

- $172,700
- $207,000
- $231,000
- $290,000
- $349,000

Repayment Tip

1) Send as a separate payment
2) Verify payment was applied as requested

When possible, pay the interest on your loans before they capitalize!

Capitalization for the Class of 2017

<table>
<thead>
<tr>
<th>Principal Borrowed</th>
<th>Interest</th>
<th>Owed after Grace</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140K</td>
<td>$21K</td>
<td>$161K</td>
</tr>
<tr>
<td>$180K</td>
<td>$27K</td>
<td>$207K</td>
</tr>
<tr>
<td>$200K</td>
<td>$31K</td>
<td>$231K</td>
</tr>
<tr>
<td>$250K</td>
<td>$40K</td>
<td>$290K</td>
</tr>
<tr>
<td>$300K</td>
<td>$49K</td>
<td>$349K</td>
</tr>
</tbody>
</table>

If Have the RIGHT to...

... pay the interest before it capitalizes.
### Capitalization for the Class of 2017

<table>
<thead>
<tr>
<th>Principal Borrowed</th>
<th>Interest</th>
<th>Owed after Grace</th>
<th>Interest during Res.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140K</td>
<td>$21K</td>
<td>$161K</td>
<td>~$800/mo</td>
</tr>
<tr>
<td>$180K</td>
<td>$27K</td>
<td>$207K</td>
<td>~$1,000/mo</td>
</tr>
<tr>
<td>$200K</td>
<td>$31K</td>
<td>$231K</td>
<td>~$1,100/mo</td>
</tr>
<tr>
<td>$250K</td>
<td>$40K</td>
<td>$290K</td>
<td>~$1,450/mo</td>
</tr>
<tr>
<td>$300K</td>
<td>$49K</td>
<td>$349K</td>
<td>~$1,800/mo</td>
</tr>
</tbody>
</table>

### After Graduation

The path for some loans

### Student Loan Management - Life Cycle

- **By May 2017**: Find loans and check for grace
- **Graduate**: Enter grace period
- **Graduate**: End of grace
- **May 2017**: Pay or not
- **Every Fall**: Re-up on chosen path
- **Finally**: Pay in Full or Forgiveness

### When Are Your First Payments Due?

- **May 2017**: By May 2017, or earliest date
- **Nov 2017**: End of grace
- **Dec 2017**: Pay or not
- **Every Fall**: Re-up on chosen path
- **Finally**: Pay in Full or Forgiveness

### Grace Periods Begin at Graduation

The path for some loans

www.aamc.org/first/timeline
**Decision Time: Post-Graduation**

- **Make Payments**
- **Postpone Payments**

**Postponement Options**

- **Forbearance**
  - Interest accrues on all loans
  - Interest will capitalize
  - Contact each loan servicer to apply
  - Request 30-days before needed

- **Deferment**
  - Subsidized loans are interest free
  - Interest accrues on unsubsidized loans
  - Contact each loan servicer to apply
  - Strict requirements to qualify

- **Request 30-days before needed**

**Medical Residency Forbearance**

- Postpones payments in annual increments
- Capitalization may occur at end of residency
- An option for medical residents/interns

**Know Your Numbers**

- MedLoans® Organizer and Calculator
  - A free tool for MD students and graduates!
  - aamc.org/medloans

**Repayment Plans**

- **Forbearance**

**Situation after a 4-year residency**

<table>
<thead>
<tr>
<th>Balance after Grace</th>
<th>Residency Interest</th>
<th>Post-Residency Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$173K</td>
<td>$39K</td>
<td>$212K</td>
</tr>
</tbody>
</table>

**NOTE:** For more details, or to request a deferment or forbearance, contact each loan servicer.

**NOT for You, IF…**

- Is it a Good Option for Medical Residents and Interns?

**BEST for You, IF…**

- Have PRIVATE loans with higher interest rates.
- Want to manage repayment costs.
- Seeking to REDUCE stress and financial obligations.
- Seeking to REDUCE debt.
- Seeking to REDUCE debt.
- Seeking to REDUCE debt.
- Want to begin repayment immediately.
**Student Loan Management - Life Cycle**

- **By May 31:** May Graduates
- **By June 30:** End of Grace
- **Every**: Every 10 years
- **Default Pay in Full or Forgiveness**

**Repayment Plans**

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Income-Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>Income-Contingent Repayment (ICR)</td>
</tr>
<tr>
<td></td>
<td>Pay As You Earn (PAYE)</td>
</tr>
<tr>
<td>10 Years</td>
<td>$1,900/mo</td>
</tr>
<tr>
<td>Extended</td>
<td>IBR</td>
</tr>
<tr>
<td></td>
<td>$1,100/mo</td>
</tr>
<tr>
<td>Graduated</td>
<td>PAYE</td>
</tr>
<tr>
<td></td>
<td>$800/mo</td>
</tr>
</tbody>
</table>

**IDR Plans Eligibility: Eligible Loans**

- Perkins and LDS loans are not eligible, unless included in a Direct Consolidation Loan
- Loans are eligible if approved...

**IDR Plans Eligibility: Financial Need**

- Perkins and LDS must be a “new” borrower

**The Test for a PFH**

- Partial Financial Hardship (PFH)

**IDR Plans Eligibility: New Borrowers Only**

- New Borrowers on or after July 1, 2014 that select IBR will receive payment amounts equal to that of PAYE.

**“New Borrower” Defined**

- 1) No outstanding loans on October 1, 2007 or paid in full outstanding loan before receiving a new loan on or after 10/07
- 2) Received a Direct Loan disbursement on or before October 1, 2011

**Partial Financial Hardship (PFH)**

- **$1,900 / mo** > **$460 (IBR) or $300 (PAYE)**

- Must have PFH to enter into IBR or PAYE
- Can transfer to IBR or PAYE at any time
- Must submit annual documentation
- Max payment in IBR or PAYE is the Standard amount determined when entering the plan
Revised Pay As You Earn (REPAYE)

All Borrowers Eligible

- 50% of interest not covered by payment will be "subsidized"
- No Cap on Payments
- Interest Subsidy

Income-Driven Repayment (IDR)

- IBR - PAYE - REPAYE
- Payment of 10% of Discretionary Income, Changes Yearly Based on Income and Family Size
- Forgiveness – 25 Years
- Interest Capitalizes When You Leave Plan
- No Cap on Payment Interest Subsidy

50% of interest not covered by payment will be "subsidized"

Develop Your Own “Best” Strategy

It’s not about the best one
It’s about what fits with your life and financial goals

The Best Repayment Strategies

More Resources

- aamc.org/FIRST
- saltmoney.org/aamc

#2) Do You Plan to Pay?
aamc.org/michigan

Questions?
Email: FIRST@aamc.org

Are payments even possible during residency?
Here’s how it is possible... if you budget!

www.aamc.org/ressalary

Dr. Internal Medicine (General)

Student Loan Debt: $190,000

Career: Internal Medicine
Residency Length: 3 years
Debt: $190,000
Post-Residency Y-1 Salary: $180,000

Develop Your Own “Best” Strategy

It’s not about the best one
It’s about what fits with your life and financial goals

Three Fundamental Forces of Repayment

MONTHLY COST

- Each WILL go or depending on your decisions
- Choices in one area WILL impact the others

TOTAL COST

FORCES

TIME
### Dr. Internal Medicine

#### Student Loan Debt: $190,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years</th>
<th>Residency Payment Amount</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Lower Cost</th>
<th>Highest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>20</td>
<td>$1,500 – 2,200</td>
<td>$377k</td>
<td>$40k*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Revised IBR (REPAYE)</td>
<td>21</td>
<td>$1,500 – 2,200</td>
<td>$395k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income-Based (IDR)</td>
<td>15</td>
<td>$2,200 – 2,400</td>
<td>$341k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

#### Student Loan Debt: $250,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years</th>
<th>Residency Payment Amount</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Lower Cost</th>
<th>Highest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>20</td>
<td>$1,500 – 2,200</td>
<td>$377k</td>
<td>$256k*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Revised IBR (REPAYE)</td>
<td>25</td>
<td>$2,000 – 2,400</td>
<td>$516k</td>
<td>$145k*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income-Based (IDR)</td>
<td>20</td>
<td>$2,000 – 3,200</td>
<td>$533k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

#### Student Loan Debt: $325,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years</th>
<th>Residency Payment Amount</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Lower Cost</th>
<th>Highest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>20</td>
<td>$1,500 – 2,200</td>
<td>$377k</td>
<td>$468k*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Revised IBR (REPAYE)</td>
<td>25</td>
<td>$2,000 – 2,400</td>
<td>$516k</td>
<td>$395k*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income-Based (IDR)</td>
<td>25</td>
<td>$2,000 – 3,700</td>
<td>$774k</td>
<td>$62k*</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

### Dr. ObGyn

#### Student Loan Debt: $190,000

**Career:** Obstetrics & Gynecology  
**Residency Length:** 4 years  
**Debt:** $190,000  
**Post-Residency Salary:** $230,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years</th>
<th>Residency Payment Amount</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Lower Cost</th>
<th>Highest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>18</td>
<td>$2,000 – 2,400</td>
<td>$384k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Revised IBR (REPAYE)</td>
<td>17</td>
<td>$2,000 – 2,600</td>
<td>$353k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income-Based (IDR)</td>
<td>16</td>
<td>$2,400</td>
<td>$363k</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Dr. Cardiology

#### Student Loan Debt: $190,000

**Career:** Cardiology  
**Residency Length:** 6 years  
**Debt:** $190,000  
**Post-Residency Salary:** $330,000

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Total Years</th>
<th>Residency Payment Amount</th>
<th>Total Repayment Amount</th>
<th>Forgiven</th>
<th>Lower Cost</th>
<th>Highest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>20</td>
<td>$2,400</td>
<td>$410k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Revised IBR (REPAYE)</td>
<td>14</td>
<td>$3,100 – 3,600</td>
<td>$330k</td>
<td>$0</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Income-Based (IDR)</td>
<td>19</td>
<td>$2,400</td>
<td>$399k</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
“An investment in knowledge always pays the best interest”