



Tomorrow's Doctors, Tomorrow's Cures®

Education Debt Manager

A common-sense approach for managing your loans

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help
“I want to heal.”
care
lead

Table of Contents

Introduction	2
The Basics of Borrowing	3
Step 1: Know Who You Borrowed From and Who to Pay Back	3
FFEL and Direct Loans	4
Lender	4
Loan Type and Lender (CHART)	4
Servicer	5
Guarantee Agency	5
Master Promissory Note (MPN)	5
Federal Student Aid (FSA) Ombudsman	5
Step 2: Know the Type of Loans You Have Borrowed	7
Subsidized Loans (CHART)	7
Unsubsidized Loans (CHART)	7
Step 3: Understand the Total Cost of Your Loans	8
Interest	8
Capitalization	8
Stafford Loan Interest Rates for Graduate Students (CHART)	9
Other Student Loan Interest Rates (CHART)	9
During the Transition: The Residency Years	11
Grace	11
Using Up Your Grace	11
Common Grace Periods for Federal Loans (CHART)	11
Deferment	12
Grad PLUS Post-Enrollment Deferment	12

Forbearance	12
Mandatory Forbearance for Medical Internship/Residency	
Deferment Eligibility Chart	13
Repayment: When and How	15
When Do You Start Paying and How Much?	15
Selecting a Repayment Option	15
Standard Repayment	15
Graduated Repayment	15
Income-Sensitive / Income-Contingent Repayment	16
Income-Based Repayment	16
Extended Repayment	17
Monthly Payment Estimator (CHART)	19
Repayment: Other Considerations	21
Direct Loan Public Service Loan Forgiveness	21
Borrower Benefits	21
Student Loan Interest — A Tax Deduction	21
Federal Loan Consolidation	22
Reality Check: Consolidation May Mean Paying More at a Higher Rate	22
Avoiding Delinquency and Default	22
What Should I Do If I Cannot Pay?	23
Reality Check: Scrutinize Your Credit Report	23
Budgeting for Medical School and Beyond	23
Budget Worksheet	24

Education Debt Manager

Facing student loans may seem daunting, confusing and even downright frustrating. To make the best financial decisions for you and your future, you must first understand your loans and your options—after all, this is a significant amount of debt. The Education Debt Manager helps students, financial aid staff, and others navigate the complexities of medical student debt.



The Basics of Borrowing

The first step to managing your education debt is to organize your student loan records. Once you have all of your documents in one place, and in order, you will be able to better manage your debt.

Step 1: Know Who You Borrowed From and Who to Pay Back

Where did your loans come from — who is your lender? Where does your payment go — who services your loans? If you have kept good records, you may already know the answers to these questions. Do not despair, though, if all of this loan information is not readily at your fingertips. There are two resources you can rely on to find the details of your loans:

- Your medical school's **financial aid office**. They can help you to identify who you borrowed your loans from and who services those loans.
- **www.nslds.ed.gov** — The National Student Loan Data System (NSLDS) is the U.S. Department of Education's central database for student aid. It is a repository for all of your federal loan data. However, non-federal loans (for example, private, alternative loans, institutional loans, etc.) will not be listed on the NSLDS website. For this, you will need to consult with your medical school's financial aid office or review your credit report to determine the lender of those loans.

Once you know who your lenders are, the next step is to find out who services the loans. The loan servicer is a very important entity to you; more information about the role of the servicer is available on page 5.

FFEL and Direct Loans

As a student loan borrower, you have borrowed your federally guaranteed student loans from either one of two programs: 1) The Federal Family Education Loan (FFEL) program or 2) The Direct Loan (DL) program, also known as the William D. Ford Federal Direct Loan Program.

The FFEL program provides loans through many different private lenders such as banks, credit unions, savings and loan associations or even corporations that issue federal loans. Once a FFEL loan has been made, it will be managed and collected by the lender or servicer of the loan.

Alternatively, the Direct Loan program is a federal program that provides loans to borrowers directly through the U.S. Department of Education.

Both of these programs are able to offer Stafford Loans (subsidized and unsubsidized), PLUS Loans (including Grad PLUS loans), and Federal Consolidation Loans. The primary difference between these two programs is the type of entity that provides the funds for the loan: a business or the government. Perkins loans, Primary Care Loans (PCL) and Loans for Disadvantaged Students (LDS) are issued to you through your school on behalf of the federal government.

Lender

The lender is the organization that loans you the money and to whom you ultimately owe repayment. The chart below displays probable lenders for the most common medical loans.

Loan Type	Lender
FFEL Stafford and Grad PLUS Loans	Bank or Other Lending Institution
Direct Stafford and Direct Grad PLUS Loans	U.S. Department of Education
Institutional loans	Your School
Federal Perkins, PCL, and LDS Loans	Your School (on behalf of the federal government)
Private loans	Bank or Other Lending Institution
FFEL Federal Consolidation Loans	Bank or Other Lending Institution
Federal Direct Consolidation Loans	U.S. Department of Education

Servicer

The servicer is the organization that will oversee the administration of your loan during repayment. Be advised that your lender may 1) be your servicer, 2) may sell your loan to another entity that will become your lender and servicer or 3) may contract with a third party to do the servicing on their behalf. In any case, the servicer will be your point-of-contact for most activities that occur during repayment, like making payments, updating contact information, processing forms for deferment and forbearance, and providing tax forms with information for deducting student loan interest.

Guarantee Agency

A guarantee agency is an organization in the FFEL program that agrees to repay the lender if you do not repay your loans. A guaranty agency may also provide you with debt counseling and default prevention services. In the Direct Loan program, the federal government is both the lender and guarantor of your loans.

Reality Check: The Buying and Selling of Student Loans

The buying and selling of loans confuses many borrowers. Your original lender may have sold (or might eventually sell) some or all of your loans to another lender. If this happens, your lender will notify you. However, the federally mandated terms and conditions of your loans do not change when one lender buys your loan from another, but voluntary borrower benefits (like interest rate deductions) given by the original lender may not be available after the transfer of the loan.

Master Promissory Note (MPN)

The Master Promissory Note (MPN) is a legally binding contract, between you and the lender, which covers Stafford and Grad PLUS loans. Simply stated, it is your documented promise to repay the debt under the terms detailed within, and for this reason it is important to carefully read and understand the MPN before signing it. The obligation to repay your student loan debt is a serious responsibility that cannot be excused even if your course of study is not completed (or not completed in the regular amount of time), you are unable to obtain employment or you are dissatisfied with your education experience.

The benefits of an MPN include a reduction of paperwork and a simplification of the loan process as an MPN can have a multi-loan feature which allows a single promissory note to cover multiple loans disbursed by the same lender over a 10 year period (while at the same school). This means that as a student loan borrower you will only sign a single MPN while attending medical school — enabling monies to be received more efficiently since a new promissory note is not needed when additional loans are obtained.

Federal Student Aid (FSA) Ombudsman

If you experience a situation with your lender that cannot be resolved after repeated attempts, the Federal Student Aid (FSA) Ombudsman may be able to help you. The FSA Ombudsman conducts impartial fact-finding research about your complaint and works with you and your lender to reach a resolution. Note that the Ombudsman can recommend solutions, but doesn't have the authority to reverse decisions or dictate specific actions. www.ombudsman.ed.gov.



Step 2: Know the Type of Loans You Have Borrowed

Your loans fall into one of two categories:

1. **Subsidized Loans** — these loans receive an interest subsidy, in which the government pays accruing interest on your behalf, while you are enrolled in-school and during periods of grace or authorized deferment.
2. **Unsubsidized Loans** — these loans accrue interest from the date of disbursement. If the interest is unpaid, it will be added back to the principal balance (original amount borrowed) at specific points via a process called capitalization.

Examples of Subsidized Loans

Subsidized Stafford

Loans for Disadvantaged Students (LDS)

Primary Care (PCL)

Federal Perkins

Some Institutional (check the promissory note or financial aid office)

Examples of Unsubsidized Loans

Unsubsidized Stafford

Grad PLUS

Private/Alternative

Some Institutional (check the promissory note or financial aid office)

Once you have determined which of your loans are subsidized and which are not, you will be ready for the next step.

TIP: Consider making payments toward the interest accruing on your **UNSUBSIDIZED** loans while you are in school, in grace, in deferment, or in forbearance to reduce interest capitalization and overall interest costs.

Step 3: Understand the Total Cost of Your Loans

You have heard the saying that “nothing in life is free,” and your student loans certainly are no exception. However, understanding exactly how your loans cost you money will help you to make smart repayment decisions. If paid strategically, it is possible to repay your loans in a manner that will save you time and money.

TIP: Manage your debt, don't let it manage you.

There are two primary factors that will contribute to the cost of your loans:

- 1) the interest rate and
- 2) capitalization

Interest is what the lender charges you to use their money. Understanding the way interest accrues on your loans is essential to managing your debt. The most important fact to know about student loan interest is that if the loan is not subsidized, interest accrues every single day, even while you are in school. Different loans carry different interest rates. The formula in the chart on the next page will help you to estimate what the interest rate will be on your Stafford loans, and below are some debt management strategies to help pay your loans off faster:

- **Prioritize your debt by arranging it from highest to lowest interest rate.** The high-rate debt should be your first priority.
- **Pay as much toward your high-rate debt as possible.** If able, minimize the required payment on your lower rate debt allowing for more monies to go to the higher costing debt.
- **Pay with purpose, it can save you money.** Do not forget to include your credit card and private loan debt in your priorities—they are often the highest costing debt.

Capitalization occurs when a lender adds any accrued and unpaid interest to the principal of your loan. (The principal of your loan is the primary balance you owe, exclusive of interest and fees.) Therefore, capitalization causes your principal balance to increase and, in effect, your interest begins to accrue interest. This can be a costly process, so you will want capitalization to occur as infrequently as possible. Several tips to reduce the cost of capitalization include:

- **Contact your lender to determine their capitalization policy.** This will allow you to understand when your loans are scheduled to capitalize.
- **Pay accruing interest prior to capitalization.** This may mean making partial or full interest-only payments each month while you are in school or residency.
- **File forms on time.** Late forbearance, deferment, or repayment plan forms may result in capitalization earlier than you expected.

Stafford Loan Interest Rates for Graduate Students

	In School/Grace/ Deferment	Forbearance/ Repayment
Disbursed 7/1/06 & After	6.8% (fixed)	6.8% (fixed)
Disbursed 7/1/98–6/30/06*	1.88% (variable)	2.48% (variable)

*Interest Rates in effect July 1, 2009 - June 30, 2010.

Other Student Loan Interest Rates

	In School/Grace/ Deferment	Forbearance/ Repayment
Grad PLUS (FFEL)	8.5% (fixed)	8.5% (fixed)
Grad PLUS (DL)	7.9% (fixed)	7.9% (fixed)
Perkins Loans	5% (fixed)	5% (fixed)
Primary Care Loans (PCL)	5% (fixed)	5% (fixed)
Loans for Disadvantaged Students (LDS)	5% (fixed)	5% (fixed)
Private Loans**	Check your promissory note or with your lender.	
Consolidation Loans	Fixed rate based on weighted average interest rate of underlying loans rounded up to nearest one-eighth of a percent (capped at 8.25%)	

**Private and alternative loans typically carry a variable rate that is higher than your Stafford loans.

Reality Check: Borrowing Strategy

Borrow Wisely! Maximize low interest rate loans before opting to borrow a higher rate loan (i.e. a \$10,000 Grad PLUS loan at 8.5% can cost \$4,500 more to repay than a Subsidized Stafford loan at 6.8%). You are limited in the total amount of financial aid you can receive each year by your cost of attendance, so be sure you select low interest rate loans first. Accepting a higher rate loan first not only increases your interest costs during repayment, it may also affect your ability to later apply for other lower rate loans. Again, Borrow Wisely!



During the Transition: The Residency Years

Let’s face it, your years as a resident will not be your most extravagant or lavish times. Not only is it a good idea to continue living within a realistic budget, but now is the time to start thinking about how you will manage the repayment of your student loans.

Be encouraged. You have a number of options that, if needed, will allow you to complete your residency with little or no student loan payments. These options include postponing payments or making reduced payments through one or more of the following options: grace, deferment, income-based repayment, or forbearance.

Grace

Some of your federal loans may have a grace period — a specified period of time after you graduate when you are not required to make payments on your loans. Grace periods occur automatically so you do not have to apply for them; and even better than that, while you are in grace, your subsidized loans remain interest-free. The length of a grace period depends on the loan type. The chart below lists some common grace periods, but notice that Grad PLUS and Federal Consolidation loans do not feature a grace period.

Using Up Your Grace

Most federal loans that have a grace period only have a single grace period. Meaning, once you completely use the grace period, it is gone and you will not be able to acquire another one.* If you take time off from school or drop to below half-time student status, your grace period will begin. Additionally, if you have taken a “break” from school at any point before or during medical school, the grace period on some of your loans may have already been used. In this case, those loans will go into repayment immediately upon your separation from school.

*Perkins loans are the exception — in addition to a 9-month grace period available after separating from school, an additional 6-month grace period is available after periods of deferment.

Common Grace Periods For Federal Loans

Type	Length	I’m Eligible
Stafford	6 months	<input type="radio"/>
Perkins	9 months	<input type="radio"/>
	6 months post-deferment	<input type="radio"/>
PCL, LDS	12 months post-graduation	<input type="radio"/>
Grad PLUS loans	none	N/A
FFEL and most DL Consolidation	none	N/A
DL Consolidation (disbursed prior to 7/1/06)	6 months	<input type="radio"/>

Deferment

Deferment is a period of time when a borrower, who meets certain criteria, can postpone their loan payments. The good news is that, just as with a grace period, the government will pay accruing interest on your subsidized loans during deferment. If you have more than one servicer for your loans, you will have to apply for deferment with each servicer individually.

The chart on page 13 lists numerous types of deferments available for federal student loans.

Grad PLUS Post-Enrollment Deferment

Similar to the grace period received on other federal loans, Grad PLUS loans made on or after 7/1/08 are eligible for a special 6-month deferment after you cease to be enrolled. This post-enrollment deferment will be automatically granted after your in-school deferment on eligible Grad PLUS loans. If you prefer to start paying immediately, you have the option of declining this deferment.

Forbearance

Forbearance is the period of time during which a borrower may either

1. Make payments lower than those scheduled, or
2. Delay repayment completely for a designated period of time, usually 6 months to one year.

During forbearance, interest accrues on ALL loans including subsidized loans, so it is important to remember that any interest not paid during forbearance may be capitalized. Interest capitalization will typically occur at the end of each forbearance – but may also occur as frequently as quarterly during the forbearance – making this a potentially costly way to postpone payments.

There are a number of types of forbearance options available to medical interns and residents, but the most often used is mandatory forbearance - see below for additional information. To learn about other forbearance possibilities, contact your lender. (All forbearance options must be requested from the loan lender, who will also determine the length of the forbearance period.)

Mandatory Forbearance for Medical Internship/Residency

Medical residents are eligible for mandatory forbearance on federal loans. Although you are required to request and provide documentation of your eligibility for the mandatory forbearance, lenders must grant it on loans for the entire duration of your residency (granted in annual increments). This mandatory forbearance is a viable option to avoid making payments during residency. It is important to note that forbearance provisions might differ on some loans, such as the Federal Perkins (which requires you to pay at least some interest during forbearance). Be sure to find out what your loans' provisions are, and remember that although interest is accruing on all of the loans during periods of forbearance, you can always make voluntary payments without losing the forbearance.

Deferment Eligibility Chart*

Type	Max Time	Stafford and SLS Loans		PLUS Loans	Consolidation Loans		Perkins Loans
		Old Borrower ¹ 7/1/87 to 6/30/93	New Borrower ² 7/1/93	New Borrower ² 7/1/93	Borrower Consolidates Before 7/1/93	New Borrower ² 7/1/93	New Borrower ² 7/1/93
Full-Time Student	None	●	●	●	●	●	●
Half-Time Student	None	●	●	●	●	●	●
Graduate Fellowship	None	●	●	●	●	●	●
Rehabilitation Training	None	●	●	●	●	●	●
Military or Public Health Services ⁽¹⁾	3 Years	●					
Nat'l Oceanic and Atmospheric Admin. Corps ⁽¹⁾	3 Years	●					
Peace Corps, Domestic and Tax-Exempt Org. Volunteer	3 Years	●					
Teacher Shortage	3 Years	●					
Internship/Residency Training	2 Years	●					●
Temporary Total Disability ⁽²⁾	3 Years	●			●		
Unemployment	2 Years	●			●		
Unemployment	3 Years		●	●		●	●
Parental Leave	6 Months	●					
Mother Entering/ Re-entering Workforce	1 Year	●					
Economic Hardship	3 Years		●	●		●	●
Military Service ⁽³⁾	None	●	●	●	●	●	●
Military Active Duty Student ⁽⁴⁾	13 Months ³	●	●	●	●	●	●

¹Old Borrower: Individuals who borrowed their first FFEL loan before July 1, 1993 and had an outstanding balance at the time of taking out a new Stafford loan.

²New Borrower: A borrower who received an FFEL loan with a first disbursement on or after July 1, 1993. The borrower has no outstanding principal or interest balance on a FFEL loan as of July 1, 1993, or on the date the borrower obtains a loan on or after July 1, 1993. This includes a borrower who obtains a Federal Consolidation loan on or after July 1, 1993, if the borrower has no other outstanding FFEL loan when the Federal Consolidation loan was made.

(1) Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

(2) A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

(3) A deferment may be granted to a borrower who is serving on active duty during a war or other military operation or national emergency (including qualifying National Guard duty) The service period must include or begin on/after 10/1/07.

(4) A deferment may be granted to a borrower called to active National or State duty who is a member of the National Guard or Reserves (including retired members) and who was enrolled at least half time at an eligible school at the time of, or within 6 months prior to, being activated. The service period must include or begin on/after 10/1/07.

*This chart is to be used only as a guide. Please contact your loan servicer(s) to determine eligibility.

Note: PCL and LDS loans feature deferment while you are a resident. PCL borrowers, however, must be in a primary care residency.



Repayment: When and How

If you are disciplined with your finances during residency, you will find that the task of repaying your loans will be much more manageable. By making smart financial decisions, you may be able to not only pay off the accruing interest but also a portion of the principal of your debt — thus reducing the cost of repayment significantly.

TIP: The faster that you are able to reduce the principal of your loans, the less your debt will cost you in interest.

When Do You Start Paying and How Much?

Your Stafford, Perkins, and other loans with a grace will enter repayment at the end of the grace period. For loans without a grace period, you will be required to begin repaying the loans once your school deferment ends when you graduate, withdraw, or drop below half-time status (or, in the case of eligible Grad PLUS loans, when the post-enrollment deferment ends). Roughly one to two months before your first payment is due, you will receive a notice with the exact due date. Around that time, you will be asked to select a repayment plan. This selection will determine the amount of your monthly payment and thus the amount of interest you will pay over the life of the loan. Understanding the five repayment options will allow you to pick the best repayment plan for your life situation.

Selecting a Repayment Option

The purpose of the different repayment options is to provide you with flexibility in your finances. If your financial situation changes at any point, you have the ability to change your selected repayment plan (and thus, change your required monthly payment), shorten your repayment schedule and even prepay loans without penalty. Simply contact your servicer and change your plan as your circumstance requires.

The Repayment Plans

There are five basic options available to you throughout the repayment of your federal student loans. These plans were designed to make your payments more manageable by providing you with financial flexibility. Whether your debt is large or small, the repayment plan you select will impact the overall cost of those loans. A hastily thought out decision could turn out to be a costly choice, so select wisely.

Standard Repayment

When you choose this repayment plan, your payment amounts will be generally equal throughout the term of the loan. In comparison to the other options, the Standard Repayment plan provides higher payments, but this means lower interest costs. Standard Repayment is the option that allows borrowers to pay education debt in the most proactive manner.

If you fail to notify your servicer otherwise, the Standard Repayment plan is the default plan for loan repayment.

Best Option For: Borrowers whose primary goal is to minimize the total interest cost of student loan debt.

Graduated Repayment

The Graduated Repayment plan allows you to begin with smaller monthly payments that will be scheduled to increase one or more times during your repayment term. Though Graduated Repayment initially offers monthly payments lower than Standard Repayment, it may lead to higher interest costs over the life of the loan because the principal of the loan is not paid off as quickly.

Best Option For: Borrowers seeking temporary relief from their higher loan payments and expecting an increase in their income in the next few years.

Income-Sensitive / Income-Contingent Repayment

When you select Income-Sensitive (FFEL option) or Income-Contingent (DL option) as a repayment plan, you must provide documentation of your expected income — the monthly payment amount will be based on a percentage of the expected total gross monthly income received from all sources (see the Interest Cost Comparison Chart on the next page for a sample monthly payment under this plan). This plan must be reapplied for each year and income documentation will be required. If this plan does not meet your needs, Income-Based Repayment may offer additional flexibility with lower payment amounts.

Best Option For: Borrowers that have a lower income, or are experiencing a financial hardship, and need assistance making their monthly payment.

Income-Based Repayment

The Income-Based Repayment (IBR) plan was designed to help if you are experiencing “a partial financial hardship” (PFH), by capping the monthly payment at 15% of discretionary income—(see example). Once you no longer demonstrate a PFH, the maximum required monthly payment amounts may not exceed the “initial” monthly amount as calculated according to a standard 10-year repayment period based on the loan balance at the start of making IBR payments. The monthly payment will be adjusted each year according to changes in your income and family size. IBR also offers a partial interest subsidy during the first 3 years. During this period, any accruing interest on your subsidized loans that is not covered by your scheduled monthly payment will be paid by the federal government. You may choose to remain in IBR for the maximum 25 years, at the end of which, any remaining federal loan balance will be discharged/forgiven. For more information and to find an IBR calculator to determine your required payments, visit www.IBRinfo.org.

Best Option For: Borrowers who are looking for a lower monthly payment. This option works well for those pursuing careers in public service or that have lower incomes and need assistance in making their monthly payments.

INCOME-BASED REPAYMENT EXAMPLE		(Family Size = 1)
Monthly Adjusted Gross Income ¹		\$3,893
150% of Poverty Line ²	-	\$1,354
Discretionary Income	=	\$2,539
	x	.15%
Monthly IBR Payment		\$381

1) Based on the 2009 first post-M.D. year median stipend of \$46,717. 2) Based on the 2009 Federal poverty guideline for a family size of one (as determined by the US Department of Health and Human Services in the 48 contiguous states — \$10,830.).

Reality Check: Debt Management Strategy — Get a Jump on Your Loan Payments

It may be a relief to know that you do not have to make payments during school and you can also delay (or partially delay) repayment of your loans during residency, but you should still consider making some type of payment — especially toward your most expensive (a.k.a. — high interest) debt. Sending in an interest-only payment each month, while in school or residency, even if it is only a small amount, can be a very smart thing to do. Every dollar you pay now helps to reduce the overall cost of your debt. The fact is, the quicker you pay off your debt the less it will cost you. (NOTE — You can make payments towards student loans at any time, even during school or residency. Your in-school, grace, deferment, or forbearance status will remain intact even if you make voluntary payments.)

Extended Repayment

The Extended Repayment plan allows you to stretch your current repayment term, up to 25 years allowing for a lower monthly payment. The qualifications for Extended Repayment include:

- You must have an outstanding balance of principal and interest totaling more than \$30,000 in either FFEL or Direct Loans
- All loans must have been issued on or after October 7, 1998

Before opting to extend your repayment term, consider the impact on the overall interest cost.

Best Option For: Borrowers seeking to lower their monthly payment (without consolidating).

Interest Cost Comparison: Forbearance during Residency					
Monthly Payment During Residency	Repayment Plan	Repayment Years after Residency	Estimated Monthly Payment	Interest Cost	Total Repayment
\$0	Standard	10	\$2,500	\$150,000	\$300,000
\$0	Graduated	10	\$1,200 for 2 years then \$2,900 for 8 years	\$162,000	\$312,000
\$0	Extended	25	\$1,500	\$303,000	\$453,000
\$0	Income-Sensitive	10	\$1,200 for 3 years then \$3,300 for 7 years	\$168,000	\$318,000
\$0	Income-Contingent	8.1	\$2,600 to \$3,300 over 8.1 years	\$136,000	\$286,000
\$0	Income-Based	12	\$1,900 to \$2,500 over 12 years	\$175,000	\$325,000

Assumptions: Student borrowed \$150,000 in the Stafford Loan program at a fixed 6.8% annual interest rate over four years. Borrower graduates from medical school, immediately begins a 6-month grace period (after which interest capitalizes), then chooses Forbearance during a 4-year residency with a post residency starting salary in 2014 of \$170K and a repayment balance of approximately \$217,000. All numbers are rounded for clarity, based on federal regulations, and are subject to change.

Interest Cost Comparison: IBR during Residency

Monthly Payment During Residency	Repayment Plan	Repayment Years after Residency	Estimated Monthly Payment	Interest Cost	Total Repayment
\$380 to \$500	Standard	6	\$3,300	\$127,000	\$256,000
\$380 to \$500	Graduated	6	\$1,300 for 1 year then \$3,800 for 5 years	\$135,000	\$264,000
\$380 to \$500	Extended	21	\$1,400	\$254,000	\$383,000
\$380 to \$500	Income-Sensitive	6	\$1,300 for 1 year then \$3,800 for 5 years	\$135,000	\$264,000
\$380 to \$500	Income-Contingent	7.3	\$2,600 to \$2,900 over 7.3 years	\$137,000	\$266,000
\$380 to \$500	Income-Based	11.8	\$1,900 to \$2,000 over 11.8 years	\$168,000	\$297,000

Assumptions: Borrower graduates from medical school, immediately begins 6-month grace period, then chooses Income-Based Repayment during a 4-year residency. Post residency repayment balance is approximately \$192,000, which includes \$22,000 in uncaptialized interest that accumulated during residency. Total Repayment below includes \$21,000 paid during 4-year residency.

AAMC Monthly Payment Estimator for Medical School Borrowers

Federal Stafford Loans with 6.8% annual interest

Medical School Stafford Loan Amount	Standard		Graduated		Extended		Income-Based Repayment (IBR)		Income-Sensitive		Income-Contingent Repayment (ICR)	
	Balance at repayment	10-year repayment term	Years 1-4 (Interest Only)	Years 5-10	25-year repayment term	Years 1-4	Balance (after a 4 year residency)	Payment and years based on balance at start of IBR	Years 1-4 (Interest Only)	Years 5-10	Years 1-4	Balance (after a 4 year residency)
\$75,000	\$82,377	\$948	\$467	\$1,397	\$572	\$83,088	\$948 for 10.2 yrs.	\$467	\$1,397	\$1,397	\$71,125	\$1,257 for 5.8 yrs.
\$80,000	\$88,276	\$1,016	\$500	\$1,497	\$613	\$90,179	\$1,016 for 10.3 yrs.	\$500	\$1,497	\$1,497	\$78,862	\$1,347 for 6 yrs.
\$90,000	\$100,075	\$1,152	\$567	\$1,697	\$695	\$104,508	\$1,152 for 10.7 yrs.	\$567	\$1,697	\$1,697	\$94,338	\$1,529 for 6.4 yrs.
\$100,000	\$111,875	\$1,287	\$634	\$1,897	\$776	\$118,980	\$1,287 for 11 yrs.	\$634	\$1,897	\$1,897	\$109,814	\$1,709 for 6.8 years
\$110,000	\$123,674	\$1,423	\$701	\$2,097	\$858	\$133,554	\$1,423 for 11.3 yrs.	\$701	\$2,097	\$2,097	\$125,289	\$1,889 for 7 years
\$120,000	\$135,473	\$1,559	\$768	\$2,297	\$940	\$148,204	\$1,559 for 11.4 yrs.	\$768	\$2,297	\$2,297	\$140,765	\$2,069 for 7.3 years
\$130,000	\$147,272	\$1,695	\$835	\$2,497	\$1,022	\$162,911	\$1,695 for 11.7 yrs.	\$835	\$2,497	\$2,497	\$156,240	\$2,249 for 7.4 years
\$140,000	\$159,071	\$1,831	\$901	\$2,697	\$1,104	\$177,664	\$1,831 for 11.8 yrs.	\$901	\$2,697	\$2,697	\$171,715	\$2,429 for 7.6 years
\$150,000	\$170,870	\$1,966	\$968	\$2,897	\$1,186	\$192,451	\$1,966 for 12 yrs.	\$968	\$2,897	\$2,897	\$187,191	\$2,609 for 7.8 years
\$160,000	\$182,670	\$2,102	\$1,035	\$3,097	\$1,268	\$207,267	\$2,102 for 12.1 yrs.	\$1,035	\$3,097	\$3,097	\$202,667	\$2,631 to \$2,789 for 8 yrs.
\$162,000	\$185,029	\$2,129	\$1,048	\$3,137	\$1,284	\$210,233	\$2,129 for 12.2 yrs.	\$1,048	\$3,137	\$3,137	\$205,761	\$2,631 to \$2,825 for 8.1 yrs.
\$170,000	\$194,469	\$2,238	\$1,102	\$3,297	\$1,350	\$222,106	\$2,238 for 12.3 yrs.	\$1,102	\$3,297	\$3,297	\$218,143	\$2,631 to \$2,969 for 8.4 yrs.
\$180,000	\$206,268	\$2,374	\$1,169	\$3,497	\$1,432	\$236,965	\$2,374 for 12.3 yrs.	\$1,169	\$3,497	\$3,497	\$233,618	\$2,631 to \$3,149 for 8.9 yrs.
\$188,668	\$216,495	\$2,491	\$1,227	\$3,670	\$1,503	\$249,858	\$2,491 for 12.4 yrs.	\$1,227	\$3,670	\$3,670	\$247,032	\$2,631 to \$3,305 for 9.4 yrs.

These figures provide a borrower with estimates of balances and monthly payment amounts. They are estimates only, based on federal regulations, and are subject to change. (Values are rounded to the nearest dollar). Please contact your lender/servicer(s) to discuss your exact balance and payment amounts. Bolded row of \$150,000 is the median medical school debt for the class of 2009. Last row shows maximum Stafford loan limits for a borrower in a 4-year M.D. program comprised of four 12-month academic years. The amount borrowed is spread out over 4 years in 8 equal disbursements.

All values above are based on the following assumptions:

- Stafford loans (Federal or Direct) with a fixed interest rate of 6.8% and no fees. For all loan amounts, \$34,000 is subsidized with the remainder unsubsidized.
- Four years of medical school then a 6-month grace period with the capitalization of all accrued interest occurring at the end of the grace period.

Per IBR guidelines, IBR repayment amounts are based on federal poverty guidelines, family size, and stipend/salary. For more details see www.aamc.org/first/students/assumptions.htm.

The IBR values above are based on the following assumptions:

- Family size of 1 in the 48 contiguous states.
- Monthly payment amounts increase gradually each year starting at an estimated \$380/month in year one up to an estimated \$500/month in year four (based on median stipend amounts from the AAMC Survey of Resident/Fellow Stipends and Benefits). Actual monthly IBR amounts will vary depending on borrower salary/stipend.
- After a 4-year residency the borrower earns a starting salary that causes the accrued interest to capitalize (a partial financial hardship no longer exists).

For Income-Sensitive repayment, if warranted, lenders can offer more than 4 years of interest-only payments which would extend repayment term beyond 10 years.

The ICR values are based on the following assumptions:

- Monthly payment amounts increase gradually each year starting at an estimated \$600/month in year one up to an estimated \$760/month in year four (based on median stipend amounts from the AAMC Survey of Resident/Fellow Stipends and Benefits). Actual monthly ICR amounts will vary depending on borrower salary/stipend.
- After a 4-yr. residency, borrower's starting salary is \$190,000.

AAMC Monthly Payment Estimator for Medical School Borrowers

Federal Grad PLUS Loans with 8.5% annual interest

	Standard	Graduated	Extended	Income-Based Repayment (IBR)	Income-Sensitive	Income-Contingent Repayment (ICR)					
Medical School Grad PLUS Loan Amount	Balance at repayment 10-year repayment term	Years 1-4 (Interest Only)	Years 5-10	25-year repayment term	Years 1-4 (Interest Only)	Years 1-4 ¹	Balance (after a 4 year residency)	Years 5-10	Years 1-4 ¹	Balance (after a 4 year residency)	Payment and remaining years
\$5,000	\$6,124	\$76	\$43	\$109	\$49	\$76 for 12.3 yrs.	\$7,536	\$43	\$109	\$7,372	\$94 for 8 years
\$10,000	\$12,249	\$152	\$87	\$218	\$99	\$152 for 12.3 yrs.	\$15,113	\$87	\$218	\$14,819	\$184 to \$188 for 8.1 yrs.
\$15,000	\$18,373	\$228	\$130	\$327	\$148	\$228 for 12.5 yrs.	\$22,729	\$130	\$327	\$22,336	\$268 to \$283 for 8.3 yrs.
\$20,000	\$24,498	\$304	\$174	\$436	\$197	\$304 for 12.6 yrs.	\$30,379	\$174	\$436	\$29,915	\$347 to \$378 for 8.4 yrs.
\$25,000	\$30,622	\$380	\$217	\$544	\$247	\$381 for 12.7 yrs.	\$38,061	\$217	\$544	\$37,552	\$421 to \$474 for 8.7 yrs.
\$30,000	\$36,747	\$456	\$260	\$653	\$296	\$457 for 12.8 yrs.	\$45,771	\$260	\$653	\$45,243	\$491 to \$569 for 8.9 yrs.
\$38,000	\$46,546	\$577	\$330	\$828	\$375	\$579 for 12.9 yrs.	\$58,163	\$330	\$828	\$57,646	\$596 to \$724 for 9.4 yrs.
\$50,000	\$61,245	\$759	\$434	\$1,089	\$493	\$761 for 13.1 yrs.	\$76,861	\$434	\$1,089	\$76,453	\$737 to \$956 for 10.2 yrs.

These figures provide borrowers with estimates of balances and monthly payment amounts. They are estimates only, based on federal regulations, and are subject to change. The amount borrowed is spread out over 4 years in 8 equal disbursements.
(Values are rounded to the nearest dollar).

Grad PLUS loans in the Direct Loan Program have an annual interest rate of 7.9% which will slightly reduce all balance and monthly payment figures listed above. For example, the monthly payment amount for a \$10,000 loan with 7.9% annual interest and a standard 10-year repayment would be \$146 compared to the \$152 listed above. Please contact your lender/servicer(s) to discuss your exact balance and payment amounts.

NOTE: Because Grad PLUS loans are unsubsidized, the rows above may be used as “building blocks.” For example, the values for a loan amount of \$40,000 would be equal to the values in the \$20,000 row multiplied by two; note the values in the \$20,000 row are twice the values shown in the \$10,000 row. This is only applicable for the Standard, Graduated, and Extended repayment plans.

The IBR values are based on the following

assumptions:

- Family size of 1 in the 48 contiguous states.
- Monthly payment amounts increase gradually each year starting at an estimated \$380/month in year one up to an estimated \$500/month in year four (based on median stipend amounts from the AAMC Survey of Resident/Fellow Stipends and Benefits). Actual monthly IBR payments will vary depending on borrower salary/stipend.
- After a 4-year residency the borrower earns a starting salary that causes the accrued interest to capitalize (a partial financial hardship no longer exists).

The ICR values are based on the following

assumptions:

- Monthly payment amounts increase gradually each year starting at an estimated \$600/month in year one up to an estimated \$760/month in year four (based on median stipend amounts from the AAMC Survey of Resident/Fellow Stipends and Benefits). Actual monthly ICR amounts will vary depending on borrower salary/stipend.
- After a 4-yr. residency, borrower’s starting salary is \$190,000.

All values above are based on the following

assumptions:

- Grad PLUS loans (FFEL) with a fixed interest rate of 8.5% and no fees.
- Four years of medical school then a 6-month post-enrollment deferment with the capitalization of accrued interest occurring at the end of the in-school deferment or, if taken, at the end of the post-enrollment deferment.
- For IBR and ICR, Grad PLUS loans are in addition to \$162,000 of Stafford loans.**

¹ During the 4-year residency, under IBR and ICR the payment is applied proportionately between Stafford and Grad PLUS loans (based on the percentage of total owed for each loan type). For example, if the IBR amount is \$380 and the Grad PLUS balance is 10 percent of the total owed, 10 percent of the payment (or \$38) would be applied to the Grad PLUS balance.

Repayment: Other Considerations

Direct Loan Public Service Loan Forgiveness

If you are working in public service, you may be eligible to have your loans discharged after 10 years of full-time work. In order to qualify for this forgiveness program, you should keep the following considerations in mind:

- You must make 120 payments toward loans in the Direct Loan program while employed in public service (time does not have to be continuous).
- If federal loans are with a FFEL lender, you must consolidate those loans into the Direct Loan program
- Direct Stafford, Direct PLUS and Direct Consolidation loans are the *only* loans that qualify for this program
- Public service is defined as work in a 501(c)(3) organization, public health, government, military, or public education.

For more details on this and other forgiveness and repayment programs available, visit www.aamc.org/FIRST.

Borrower Benefits

Good news: Your loans may have borrower benefits tied to them that can help you save time and money over the course of your repayment. These benefits are incentives such as reduced interest rates, reimbursement of loan fees or even money back. In order to obtain your benefits, you must perform a specific action like making uninterrupted, on-time payments or having funds automatically debited from an account. If you do not know what your benefits are, contact your lender to find out if you have any benefits AND how to qualify and disqualify for them. Also be advised that existing borrower benefits can be lost in a consolidation loan - so carefully consider your borrower benefits PRIOR to consolidating.

Student Loan Interest — A Tax Deduction

More Good News: The interest you pay on your student loans may be tax deductible (up to \$2500 annually). There are certain parameters that must be met, see below for some of these, and for more detailed information visit www.irs.gov and review IRS Publication 970, "Tax Benefits for Higher Education".

As detailed below for 2009, the maximum allowable deduction gradually reduces as your income increases. This means that paying interest while in school and/or residency will not only help to reduce capitalization and interest costs, it may also allow you to take advantage of a deduction that you may not qualify for in the future.

	Full Deduction	Partial Deduction	No Deduction
Single	\$60,000 or less	\$60,001 to \$74,999	\$75,000 or more
Married filing jointly	\$120,000 or less	\$120,001 to \$149,999	\$150,000 or more

Source: IRS Publication 970 (for use in preparing 2009 Returns)

Federal Loan Consolidation

Federal loan consolidation allows you to combine one or more existing student loans into a single new loan. The possible advantages and disadvantages of consolidating are detailed in the chart below.

Advantages	Disadvantages
<ul style="list-style-type: none">• Lower monthly payment• Extend the repayment period• Make a single payment to a single lender• Fixed interest rate• No prepayment penalty• Repayment plans can be changed	<ul style="list-style-type: none">• Longer repayment period• Higher possible interest costs• May lose current borrower benefits• Interest rate is calculated as the weighted average of the loans in the consolidation, then rounded up to the nearest 1/8 of a percent• Borrower benefits for new loan vary by lender (if any)• May negatively impact grace, deferment or forgiveness options

Due to a change in legislation, at this time the only lender offering federal student loan consolidation is Direct Loans. For more information contact your current lender or visit www.loanconsolidation.ed.gov.

Reality Check: Consolidation May Mean Paying More at a Higher Rate

It is important to realize that although loan consolidation can give you a lower monthly payment with a longer repayment term, this can significantly increase the total cost of the loan. When you get right down to it, the longer you take to repay a loan, the more it will cost you. Not only can your borrower benefits be lost during consolidation, but also many of your loans may already have a fixed interest rate meaning that consolidation will not result in "locking in" a lower rate, but may mean paying a higher fixed interest rate (due to rounding). Understand how consolidation works before consolidating, because in most cases it is permanent. Consolidation can even lead to the loss of borrower benefits (also causing repayment costs to be increased).

Avoiding Delinquency and Default

Count yourself in good company: the default and delinquency rate amongst medical school borrowers is very low. Although low, it is certainly not zero. Usually, borrowers run into difficulty during their residency years because they do not keep in touch with their loan servicers or because they are late in filing deferment or forbearance forms. You have sacrificed too much and come too far to let this happen to you. Do not risk your future with carelessness – be organized about your repayment. Make sure you contact your servicer(s) whenever your enrollment status, name, email address or address changes. Keep your calendar up-to-date and accurate, so you will know when it is time to file important forms. Simple steps like these are all you need to protect yourself and your credit.

Delinquency

You will be categorized as delinquent if you are late in making a scheduled loan payment. A late payment may be reported to a credit bureau, and if so, can decrease your credit score and will

remain a part of your credit history for years to come. Additionally, any borrower benefits that you may have had will likely be forfeited.

Default

If you are significantly delinquent in making your loan payments (over 270 days for FFEL and DL loans), you are considered in default. You can be certain your servicer is going to take a series of actions to reclaim the monies owed to them. They might demand immediate payment in full, garnish your wages and federal income tax returns, and even take you to court. Also, your school has the option of withholding your records – making it difficult to prove you are a doctor. A default will hurt you well into the future, especially when you need credit for a house, a practice, and many if not all other consumer loans. The record of defaulted loans remains on a credit report for at least seven years.

What Should I Do If I Cannot Pay?

Call your servicer immediately! Financial difficulties happen — it is a fact of life. Your loan servicer knows this, so if you have trouble making your loan payment, contact them. Your servicer knows all of the options available to you and will help you devise a plan to successfully complete the repayment of your student loans.

Reality Check: Scrutinize Your Credit Report

It is a good idea to review your credit report at least once a year. In fact, there is a website and toll-free number through which you can request a copy of your free report from the three major credit bureaus. To order your free annual credit report, visit www.annualcreditreport.com or call 877-322-8228. You are entitled to this free report once a year — take advantage of it!

Knowing and managing your credit will help save you time and money when making a large purchase (like a home or a car). Most importantly, though, identity theft can happen to anyone, and it is easy for it to go unnoticed for quite some time. The earlier you know someone is abusing your credit, the quicker you can put a stop to it.

Budgeting for Medical School and Beyond

Your financial health will be determined by your understanding and application of budgeting. During medical school and residency, you will discover the importance and value of carefully living within a budget (or the pain of not following a budget). Getting into the habit of showing self-discipline with your finances will benefit you far beyond your school and residency years. If you need some guidance to get started, see the budget worksheet on the next page and get going on a budget.

TIP: Choose to live like a student or a resident now, so you don't have to live like one later.

Budget Worksheet

INCOME:

List all sources of income

Salary (after deductions)	_____
Spouse salary (after deductions)	_____
Investment income	_____
Financial aid (in excess of tuition & fees)	_____
Gifts	_____
Income tax refunds	_____
Other (child support/alimony)	_____
Veteran's benefits	_____

Total Income _____

FIXED EXPENSES:

These are monthly or yearly expenses that are usually unavoidable and typically unchanging in their amounts. There is no clear-cut distinction between fixed and variable expenses; it is up to the individual. You may or may not have all of these expenses.

	Yearly/Monthly
Tuition & fees	_____/____
Books & supplies	_____/____
Regular savings	_____/____
Rent/mortgage	_____/____
Utilities*	_____/____
Telephone (base rate)	_____/____
Taxes (federal, state)	_____/____
Vehicle payments	_____/____
Other transportation	_____/____
Credit card payments	_____/____
Personal loans	_____/____
Educational loans	_____/____
Life insurance	_____/____
Health insurance	_____/____
Home/renter insurance	_____/____
Auto insurance	_____/____
Auto registration/taxes	_____/____
Professional fees/dues	_____/____
Child care	_____/____
Other (i.e., alimony)	_____/____
Total Fixed Expenses	_____/____

VARIABLE OR FLEXIBLE:

After determining your fixed expenses, list variable expenses. When trying to figure out variable expenses, you will be most successful, if you write down all of your expenditures for two weeks. Be as realistic as possible. You will be surprised to see where your money goes and how it adds up.

	Monthly
Food/household supplies	_____
Dining out	_____
Clothes	_____
Laundry/dry cleaning	_____
Gas, oil, auto maintenance	_____
Parking	_____
Medical/dental/eye care	_____
Hobbies/recreation	_____
Entertainment	_____
Travel/vacation	_____
Pets, supplies, food	_____
Sports	_____
Records & books	_____
Child care	_____
Health & beauty aids	_____
Haircuts	_____
Postage	_____
Subscriptions	_____
Cable TV	_____
Long-distance calls	_____
Cell phone	_____
Gifts	_____
Charity/contributions	_____
Savings for interviews/relocation	_____
USMLE	_____
Other	_____
Total Variable Expenses	_____
Total Fixed Expenses	+ _____
Total Monthly Expenses	= _____
Total Income	_____
Total Expenses	_____
Total Discretionary Income	_____

* gas, electric, water, sewer, garbage

NOTES

The Association of American Medical Colleges has a variety of Financial Information, Resources, Services and Tools for students and residents concerned with education debt management. Take some time to go through the website **www.aamc.org/FIRST**. Also, do not forget the financial aid office at your institution. They are available to help you and are keenly aware of issues affecting medical students. This can be a lot to sort through, so just take it one step at a time. Congratulations on achieving your dream, and good luck.

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www.aamc.org/FIRST