



SENIOR LOAN EXIT INTERVIEW DENTAL SCHOOL CLASS OF 2020

Repayment Strategies for Dental School Graduates

AMERICAN DENTAL EDUCATION ASSOCIATION

Considerations

- Dental school graduates have a great track record for repayment
- Use free resources available at adea.org
- **Constantly evaluate your repayment objectives and repayment plan**
- Work closely with loan servicers

Educational debt*

- \$292,169 mean debt all schools**
- \$261,305 mean debt public schools**
- \$321,184 mean debt private schools***
- 17.0% no debt
- 19.0% debt less than \$200,000
- 25.0% debt of \$200,000 to \$300,000
- 39.0% debt in excess of \$300,000

* Source: ADEA Survey of Dental School Seniors, 2019 Graduating Class

** Indebted graduates only

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. Choose a repayment plan to help meet your repayment objectives

Step 1: Loan portfolio

- Federal loans at [NSLDS.ed.gov](https://www.nsls.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*
 - Direct PLUS always 1% higher than direct unsubsidized
 - 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 (IDR) plan or switch plans
 - When borrower is late renewing an IDR

* For example, a) end of grace to repayment or b) deferment to forbearance

Loan servicers

- Organizations lenders contract with to work with borrowers in repayment
- See [NSLDS.ed.gov](https://www.nsls.ed.gov) for your servicer*
- Your federally owned loans should all be serviced by one loan servicer
- See [StudentAid.gov](https://studentaid.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
 - Called a grace period on direct unsub loans
 - Called a 6-month post-enrollment deferment on direct PLUS
- Perkins loans have 9-month grace period
- HPSL and LDS have 12-month grace period
- Check terms on institutional and private loans

When loans come due

- Only get grace period once, so if used in entirety on loans prior to dental school, these loans should come due right after graduation
- Same applies to borrower who took a leave of absence of 6 months or more during dental school, assuming borrower was classified as not enrolled during that time



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
 - Be sure to click on “alerts” in body of email for important information
- 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*

* Confirm with your 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 are 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
- Debt free at end of term with minimum payments
- 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 borrower makes minimum payments only and payments are not accelerated
- Debt free at end of term with minimum payments
- **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, the more likely these plans will be needed, unless borrower has other resources
- Monthly payments change annually
- Payments based on income and family size

IDR pros and cons

- Advantages
 - Manageable monthly payments
 - May lead to forgiveness
- Disadvantages
 - Initial payments may not cover interest, if gap between debt and income is high
 - Nuances of plans can be confusing
 - Debt remaining at end of term is forgiven, but considered taxable income

IDR comparison

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

* Federal loans from a private lender, not allowed since 2010-11 academic year

** Personal disposable income *** Partial Financial Hardship

IDR comparison (con't.) ADEA THE VOICE OF DENTAL EDUCATION

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

* Public Service Loan Forgiveness

IDR forgiveness

- PAYE forgiveness provisions
 - Balance forgiven after 20 years*
 - Not dependent on type of employment
 - Balance forgiven considered taxable income
- IBR and REPAYE forgiveness provisions
 - Balance forgiven after 25 years*
 - Not dependent on type of employment
 - Balance forgiven considered taxable income

* 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 [StudentAid.gov](https://studentaid.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 [StudentAid.gov](https://studentaid.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
- PSLF not degree specific, any borrowers (including dental school graduates) meeting eligibility requirements can qualify
- Forgiveness amount not considered taxable income

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 enroll in 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

- Certainly something to consider 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
- **Proposals to eliminate PSLF****

* Payments likely much lower in residency, which may increase forgiveness amount

** Current direct loan borrowers likely would still qualify, see PSLF module

PSLF denials

- High percentage of denials for first batches of applications*
 - 55% wrong payment plan (not using an IDR**)
 - 24% missing information
 - 15% wrong kind of loans
 - 4% wrong employment type and wrong dates
- Enrolling in PSLF helps you track payments so you would not apply unless you knew you already qualified

* U.S. Department of Education Program Data, June 2019

** Income driven repayment



REPAYMENT

Repayment estimates using
AAMC/ADEA Dental Loan Organizer
and Calculator

adea.org/DLOC

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Repayment assumptions

- **\$288,410 median 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 REPAYE
- \$180,000 starting salary
- \$53,791 GPR stipend (one year program)*

* Source: American Dental Association (ADA); GPR is General Practice Residency

Repayment directly into practice

Plan	Years	Monthly Payment	Total Paid	PSLF Paid PSLF Forgiven	Term Forgiveness
Standard	10	\$3,910	\$469,258	NA	NA
Extended	25	\$2,314	\$694,239	NA	NA
REPAYE	25	\$1,344 to \$2,823	\$599,587	\$186,252 \$362,687	\$259,368 (taxable)
PAYE	20	\$1,344 to \$2,421	\$440,130	\$186,252 \$380,799	\$344,620 (taxable)

* PSLF forgiveness highlighted in **red**, not subject to tax

Repayment with one year GPR then practice

Plan	Years	Monthly Payment	Total Paid	PSLF Paid PSLF Forgiven	Plan Forgiveness
Standard	10	\$3,910	\$469,258	NA	NA
Extended	25	\$2,314	\$694,239	NA	NA
REPAYE	25	\$299 to \$2,735	\$568,460	\$168,229 \$372,052	\$289,929 (taxable)
PAYE	20	\$299 to \$2,345	\$414,029	\$168,229 \$398,829	\$373,086 (taxable)

* 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 StudentAid.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**
 - Can extend term to 30 years
- **Disadvantages**
 - Partially negates aggressive repayment
 - Slightly higher rate
 - Perkins converted to unsub status if included
 - Loss of grace period if you 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**
 - Need to extend your repayment term

* 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

Refinancing

- Trading student loan debt for private debt
- Promise of lower rates and substantial repayment savings
- Lenders likely to consider credit, employment history, and debt-to-income ratio when approving applications and for pricing

Questions to ask

- Interest rates and capitalization
 - Especially important for variable rate loans
- Repayment and postponement options
- Cosigner requirements and cosigner release provisions
- Forgiveness provisions
 - Death and disability, this is not PSLF
- Impact of preapproval on credit

Should you refinance?

- You **may** be a candidate if you ...
 - Have steady income and are interested in aggressive repayment
 - Do not need income plans or forgiveness
- You **may not** be a candidate if you ...
 - Need to be cautious with payments and need a repayment plan based on income
 - Are trying to qualify for PSLF*
 - Do not have steady income

* Public Service Loan Forgiveness

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
- Keep up to date on changes

Resources

- AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
 - adea.org/DLOC
 - Tutorial available online
 - 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
- StudentAid.gov
 - Repayment Estimator
- 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
- <https://studentaid.gov/feedback-ombudsman/disputes>
- 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 adea.org/DLOC
- Open and read mail in timely manner
- Keep contact information current with loan servicers



CONGRATULATIONS!

Questions?

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