THE STUDENT LOAN GUIDEBOOK

FINANCIAL RESIDENCY

FACING AN INSURMOUNTABLE PILE OF ... SH...DEBT?

Do Something About It.

According to the Association of American Medical Colleges (AAMA), the median amount of medical school debt owed in 2017 was $190,000 for public and private school graduates respectively.

That's a pretty big load to carry.

Medical School Debt Is a Real Bummer.

As a physician, reaching 6-figures in student loan debt is almost like a rite of passage. When you reach that threshold, you know training is coming to a close or is nearing its end pretty soon. However exciting it is to finish training, you're left to confront the reality of your finances.

Sounds fun, doesn't it?

This Student Loan Guidebook will help physicians learn about their repayment options. So, let's get started.

WANT MORE ON STUDENT LOAN DEBT? LISTEN TO THIS!

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A PRIMARY CARE PHYSICIAN FOR YOUR FINANCES?

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Start Moving!

You might not have a game plan in place to tackle your loans just yet. And that's OK.

This is why it's important to make a decision to start moving. Choose to move on your student loans now before they become harder to manage down the road.

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Take Inventory

In order to start tackling your student loans, you need to get clarity on what you owe and who is servicing them.

You will have federal, private, or a combination of both. To find your federal loans owned by the U.S. Department of Education visit NSLDS.ed.gov or go to the studentloan.gov repayment estimator and log in.

The best source is your credit report for information on your private loans. You are eligible to get a free report once per year with all three companies: Experian, TransUnion, and Equifax from Credit Karma for free monitoring and report.

Determine Your Options

"There is so much uncertainty and complexity around student loans."

Refinance

If you're done with training and you're actually out earning a real salary, and your loans are still on the federal program whether it's IBR, REPAYE, PAY, it doesn't matter which repayment option it is as you will likely be paying the standard repayment amount.

Refinancing can help you lower your monthly payment if you keep the term of the loan the same and have a lower interest rate.

Before you refinance, make sure you are not pursuing public service loan forgiveness and that you do not accidentally refinance loans that already have a low interest rate.

More on loan repayment types next.

Reimbursement

Some of the well-known tuition reimbursement programs are offered by the federal government and military. State programs may also be available.

These vary in structure with some paying an amount in exchange for a specific length of service. Others require you to pay a specific amount out of pocket and they essentially match that amount for a certain number of years.

Forgiveness

Qualifying federal loans can be forgiven after 10 years through the Public Service Loan Forgiveness (PSLF) or after 20-25 years via non-PSLF forgiveness.

Generally speaking, if you're a physician trying to go for PSLF, you ought to be on the REPAYE program or the PAYE program.

There's a couple weird exceptions for people who have had loans from a long time ago.

1

Pay as You Earn (PAYE)

PAYE is one of a few income-based repayment options offered by the Department of Education. Only federal student loans are eligible for income-based plans such as PAYE.

Under PAYE, monthly payments are limited to 10% of your discretionary income, which is the difference between your adjusted gross income and 150% of the poverty guidelines. Only those with the direct loan types are eligible for the PAYE plan. If you have FFEL or Perkins loans, you can consolidate them through the federal government to create a Direct Consolidation Loan.

2

Revised Pay as You Earn (REPAYE)

REPAYE is a relatively new plan, first announced in 2015. Payments under REPAYE are 10% of your adjusted gross income (AGI) minus 150% of the federal poverty guidelines, based on your family size and state of residence.

REPAYE is the only income-driven repayment plan that offers an interest subsidy.

3

Income Based Repayment (IBR)

IBR is a repayment plan offered by the Department of Education for students with federal loans. Private loans or federal loans that have been refinanced to a private company are not eligible for IBR. Graduates with a loan term starting before July 1, 2014, pay 15% of their discretionary income, which equals the difference between your adjusted gross income (AGI) and the federal poverty guideline.

Bonus!

Top 5 Student Loan Mistakes to Avoid

Mistake #1: Not consolidating medical school loans
Not all student loans are eligible for PSLF. Private loans are never eligible, and not all federal loans qualify automatically. Direct federal loans instantly count toward PSLF, but Federal Family Education Loan (FFEL) and Perkins loans have to be consolidated in order to count.

Mistake #2: Going into forbearance
Forbearance is like a hall pass given by the federal government to borrowers who are unable to make payments on their student loans. It’s a temporary phase, lasting 12 months at a time, and you have to request it manually. Don't do this during residency unless its absolutely necessary.

Mistake #3: Not submitting the PSLF certification form annually
On the Department of Education website, there’s a place to fill out the PSLF certification form. The form asks for your contact information and where you worked during the past year. Your employer also has to fill out a portion certifying that you’re an employee.

Mistake #4: Picking the wrong repayment option to maximize PSLF
While pursuing PSLF, borrowers have the option of choosing any repayment plan available. But to maximize savings, you should choose an income-based plan, which is calculated by taking your annual income, family size and location into account.

Mistake #5: Refinancing during residency
Student loan refinancing companies have skyrocketed in the past year, and more borrowers are refinancing their student loans and saving thousands on interest. Doctors are normally great candidates for refinancing, even those just beginning residency. Lenders like their high income potential and job stability, even if they often carry a heavy student loan burden.