
**University Of Rochester
Medical Center**

RESIDENT DEBT MANAGEMENT

HANDBOOK

2012

Financial Aid Office
University of Rochester School of Medicine & Dentistry
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Rochester, New York 14642-8601
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Loan Repayment Timeline

Class of 2012

	5/12	11/12	5/13	11/13	5/14	11/14	5/15	11/15	5/16	11/16	5/17	11/17	5/18
Federal Subsidized Stafford After 7/1/93	6 month grace	Check with your loan servicer about Medical Residency Forbearance* or repayment options.						Repayment or Forbearance					
Federal Unsubsidized Stafford After 7/1/93	6 month grace	Check with your loan servicer about Medical Residency Forbearance* or repayment options.						Repayment or Forbearance					
Federal Grad PLUS Loan Before 7/1/08	Check with your loan servicer about Medical Residency Forbearance* or repayment options.						Repayment or Forbearance						
Federal Grad PLUS Loan After 7/1/08	6 month grace	Check with your loan servicer about Medical Residency Forbearance* or repayment options.						Repayment or Forbearance					
Federal Perkins After 7/1/93	9 month grace	Check with the Student Loan Office about Medical Residency Forbearance* or repayment options.						6 month grace	Repayment or Forbearance				
Loans for Disadvantaged Students	12 month grace	Unlimited residency deferment MUST APPLY EACH YEAR											
Primary Care Loan	12 month grace	Residency Deferment (up to 4 years in an eligible primary health care residency program) MUST APPLY EACH YEAR									Repayment		
Private/Alternative Loans	Possible Grace, Deferment or Forbearance varies by lender. Check with your lender						Repayment or Forbearance						
Residency and Relocation Loans	Grace periods and deferments during residency vary by lender. Check with your lender						Repayment						
Alumni Medical Loans	5 years of interest free grace, followed by 5 years of repayment												

* Borrowers who apply for Medical Residency Forbearance must re-apply each year.

MEETING THE DEBT MANAGEMENT CHALLENGE:

A RESOURCE GUIDE FOR RESIDENTS

B.J. Revill
Director of Financial Aid &
Resident Debt Management Advisor

STATEMENT OF NONDISCRIMINATORY POLICY

The School of Medicine and Dentistry offers medical education and access to financial assistance to prepare physicians regardless of sex, age, race, color, sexual orientation and national or ethnic origin. Further, the University complies with all applicable nondiscrimination laws, including those which protect the rights of the disabled. The University of Rochester is committed to increasing underrepresented minorities in the profession.

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DEBT MANAGEMENT RESOURCES

SMD Financial Aid Office

Managing your loans can be overwhelming especially during residency. Consequently, many medical centers offer debt management services. At the University of Rochester these services are provided by the Financial Aid Office which is located in Suite G-7644 in the Lower S-Wing of the University of Rochester Medical Center. The Financial Aid Office (FAO) is open from 8:00 a.m. to 4:30 p.m. Monday through Friday. Drop-ins are welcomed, although you may wish to schedule an appointment to assure efficient use of your own time and immediate availability of a counselor. We have found that appointments generally take about 45 minutes and it is very helpful if you bring your loan paperwork with you. Our phone number is **(585) 275-4523**.

B.J. Revill, Director of Financial Aid/Resident Debt Management Advisor, will be your primary resource. He can answer questions, help you sort out accumulated paperwork, clarify deferment, forbearance, and repayment plan options, research problems, and be your advocate with lenders or guarantee agencies. Since your hours are probably irregular, you may find it more efficient to communicate by e-mail to **Herbert_revill@urmc.rochester.edu**.

For the purpose of applying to a lender for a Residency loan deferment, you need official certification by your residency program director or GME Coordinator. If you are here at Strong Memorial Hospital, you need to drop off your paperwork at the GME office in Room G-7654 for certification.

Web resources for managing repayment

The Financial Aid Office Resident Debt Management web site can be accessed at: ***<http://www.urmc.rochester.edu/education/financial-aid/medical-dental-residents.cfm>***. Our web site (see next page) offers a variety of resources, including a cash flow worksheet and links to related sites. You will also find web sites for most of the national loan servicers. Check the site for your servicer(s), it is likely that you will be able to access your personal loan account information directly.

Another helpful link on our website is the Association of American Medical Colleges (AAMC). The AAMC maintains a listserv for residents and GME staff designed to assist residents in the management of educational debt. They also have a FIRST for Residents Mailbox that provides timely information and allows residents to post questions on a confidential basis. To sign up for this FREE service:

1. Go to: www.aamc.org/services/first/first_for_residents.
2. Click on the "First for Residents Mailbox" link.
3. Click on the "Subscribe" link.

If you have problems resolving any student loan problems, you have the right to contact the Student Loan Ombudsman's office at:

U.S. Department of Education
FSA Ombudsman
830 First Street, NE, Fourth Floor
Washington, DC 20202-5144
Phone: 877-557-2575; Fax: 202-275-0549
www.ombudsman.ed.gov

[URMC](#) » [Education](#) » [Financial Aid](#)

Medical & Dental Residents

Worksheets

[Cash Flow Worksheet](#)

[Economic Hardship Deferment Worksheet](#) (only until June 30, 2009)

[Income-Based Repayment Worksheet](#) (available July 1, 2009)

Deferment Information

[Direct Lending](#)

[FFELP](#)

[Deferment Conditions](#)

AAMC Resources

[AAMC \(Association of American Medical Colleges\)](#)

[Educational Debt Management Services for Residents](#)

[Student Loan Repayment Timeline](#)

[Primary Care Loan Forgiveness Programs](#)

Additional Resources

[Resident Debt Management Handbook 2010](#)

[Loans for Residents & Doctors](#)

[National Health Service Corp.](#)

[NIH Loan Repayment Programs](#)

[Loan Servicers](#)

Useful Links

[Offices for Graduate Education](#)

[Medical Education Office](#)

[NYS HESC - TAP](#)

[University Health Service](#)

[Parking at the URM](#)

Related Offices

[Financial Aid Office Bursar's Office](#)

[Registrar's Office](#)

[Office of Educational Resources](#)

Financial Strategies During Residency

By Donald J. Germano, ChFC
Beltz-Ianni & Associates. Rochester, New York

Why do you need to know this?

As a resident, you will earn an income and, in all likelihood, be managing a substantial amount of education debt as well. The key to handling your financial responsibilities and preparing for a more secure future is the ability to set short- and long-term financial goals and understand the basic components necessary to accomplish them.

Four Simple Strategies

Setting and monitoring your financial objectives during residency is not a complex process. For most residents, investing will not be a high priority since disposable income is low and the demand for cash is high. Those who do have funds to invest should consider applying the money to either debt reduction or possibly saving for a down payment on a home. That being said, the following should be addressed while a resident:

1. Broaden your understanding of financial issues that may affect you,
2. Prepare a household budget,
3. Protect your credit rating, and
4. Open your mail.

Open your mail and verify that creditors are being paid on time. Make sure that deferments, forbearances, or loan consolidations have been processed correctly. Most importantly, pay your bills on time regardless of the circumstances that may tempt you to let things slide. Keep in mind that debt exerts an enormous amount of control. After you complete your training, the amount of debt you carry can influence some key future decisions, such as: how many patients you see per hour; whether you choose private practice or academic medicine; and whether you work full-time or part-time. For these reasons, it is highly recommended that you reduce your debt as quickly as possible.

Life insurance and disability insurance are two components of a sound financial strategy that can be addressed while in residency. You should consider purchasing a sufficient amount of life insurance to allow your loved ones to maintain the lifestyle your family deems important should you die prematurely. Placing a dollar figure on that lifestyle is a function of your budget. I have found residents typically purchase between \$250,000 and \$500,000 of coverage; however, after training is completed, many physicians carry between \$1,500,000 and \$5,000,000 of protection.

Term insurance may make the most sense for residents. These contracts provide a death benefit to the beneficiary of your choice at what is generally considered an affordable cost during the early years of the policy. If you are single, you may want to consider life insurance if: 1) someone co-signed a loan for you; 2) you are concerned about future insurability (medical approval by the insurance company); or 3) you anticipate a need for coverage. The following features are important to understand before purchasing a life insurance contract: portability, convertibility, and the number of years the premium (your cost) is guaranteed by the insurer.

Disability income insurance protection is generally considered important to physicians and, for many residents, is the first insurance contract they purchase. Disability income insurance can pay you an

income if you're sick or injured and cannot work in accordance with the terms of the contract. Although the cost of the policy is an important factor, do not overlook the insurance company's definitions of disability. If you discover substantial differences in cost between two different companies, you may not be reviewing comparable programs.

There are generally two types of disability income protection: group insurance contracts and individual insurance contracts. Group contracts can be secured through your employer and/or various associations. Individual contracts are purchased directly from the insurance company and can be non-cancelable (on the part of the insurance company) and/or guaranteed renewable. The balance of my remarks will address these contracts.

It's been my experience that approximately 50 percent of all residents purchase an individual contract. This coverage is quoted as a monthly (income tax-free) benefit. The maximum amount of coverage you will be allowed to purchase as a resident is typically \$5,000. Upon request, the contract can include a feature at an additional cost, allowing you to expand the protection without providing new medical history; however, financial underwriting will be required. The amount of coverage available is always dependent on your income at the time you request coverage. Having this ability to expand your coverage may be important because many physicians in practice find they need to carry between \$8,000 and \$25,000 of monthly coverage.

Before you purchase a contract, understand the key definitions of the policy: total disability, residual disability, residual payout calculation, waiting period, recurrent disability, future income options, and exclusions. It is important to know that substantial changes have occurred within the industry since 1995. These changes have affected the definition of disability, as well as the cost for coverage.

Ask your employer if they have an arrangement with any specific insurance company. Employer-arranged programs can be voluntary; the residents are responsible for premium payments. These programs typically can be obtained at a more favorable cost than you can secure on your own. Many have liberalized underwriting – which means that coverage may be issued as long as you are not currently disabled or in the elimination period (disabled but not yet collecting benefits). Premiums are calculated using unisex rates and a discount which can be as much as 30 percent! Without Unisex rates, women are required to pay substantially more for coverage than men – as much as 40 percent more!

Lastly, the financial decisions you make as a resident will generally be less complex, yet, all decisions should take into consideration your short-term and long-term goals. These goals can be affected by the five main stages in your career: (1) medical school, (2) residency/fellowship, (3) the first 3 to 5 years of practice, (4) your maturation years, and (5) your retirement years. To receive appropriate advice at any particular stage, it is important to work with professionals who understand the overall picture. You can find such professionals by asking your colleagues (residents and attendings) for the names of those with whom they feel comfortable and whom they trust.

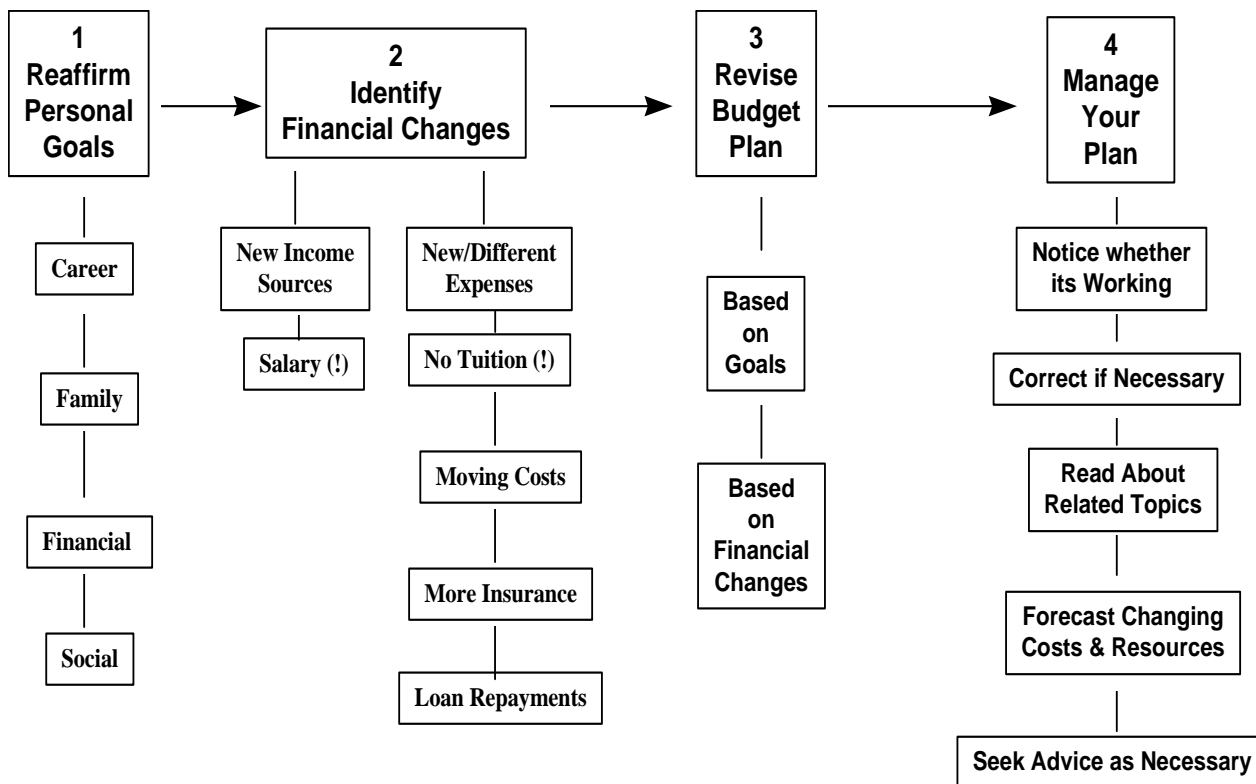
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FINANCIAL PLANNING

Concepts & Activities

You may not realize that you have been “doing” *financial planning* for years now, but if you financed your medical school education, then you are already familiar with the concepts of financial planning:

- ◆ defining your goals;
- ◆ identifying your income and your expenses;
- ◆ creating a budget that reflects these;
- ◆ monitoring and managing the results.



In managing your plan, you may find a *loan repayment timeline* useful. A sample timeline can be found inside the front cover of this publication. This can be adapted to your particular loan portfolio. In addition, there are many *web sites* available with interactive calculators to assist in budget development and comparison of debt repayment strategies. Check first the site of your loan servicer(s) as found in Appendix D.

Can a PGY-1 survive on a Net of \$3,021/month?

Creating a **budget** is one of the most efficient ways to organize your financial thinking. If you already have a budget format that works for you, you may be all set. If not, you can use the worksheet suggested on page 10 or any number of software tools or web sites. The worksheet on page 10 was designed specifically for physicians and is accompanied by a Single Resident Sample Budget, based on a PGY-1 income in Rochester. You will find a copy on the OME Financial Aid Office home page @ <http://www.urochester.edu/education/financial-aid/medical-dental-residents.cfm>.

After using a budget to figure out whether you are likely to have a **deficit** or a **surplus** income, you can plan your next steps. If you will have a deficit, focus on maximizing **deferral** and **forbearance** options. If you may have a surplus, consider prepaying some of your more expensive loans. Here again, software, web sites and/or a visit to our Debt Management Advisor can be helpful in assessing the options.

Disability Insurance

As a University of Rochester employee you have some employer paid, group long-term disability insurance coverage and the opportunity to purchase a supplemental individual policy at discounted rates. You need to examine the details of the group policy and determine whether the coverage provided is adequate to meet your needs or whether you wish to purchase additional individual coverage.

Screening a Financial Planner

In early fall, the American Medical Association (AMA) will release a list of new physician names. The list is readily obtained by financial planners, insurance sales people and others, who shortly thereafter begin phoning residents to offer “help” with financial planning. Financial planners offer a variety of services, including assistance with cash management and budgeting, investment planning, and advice on purchasing insurance. Different planners are experts in different areas and they make their money in different ways. The services of a good one will be well worth an investment of some of your time and some of your money, but how do you assure that you will find a “good” one and at what point do you need to do that?

The “Financial Planner Disclosure Form” (pages 12, 13) should serve as a useful tool in learning to effectively assess the competence and motivations of those who will seek your business. In general, since most indebted residents have limited funds for investment purposes, the primary motivation to use a planner during residency is to assure an appropriate level of insurance, most frequently, disability insurance.

Taxpayer Relief Act of 1997

Effective January 1, 1998, qualified taxpayers can deduct interest payments made on student loans during repayment. Residents who have actually started repaying their student loans may be eligible for this deduction regardless of whether they itemize deductions. **As always with taxes, certain provisions do apply.** You can check out the Internal Revenue Service web site at www.irs.gov/ for further explanation of the student loan interest deduction.

Effective January 1, 2002, the following changes have been made to the Student Loan Interest Deduction:

- The 60-month limit for the deduction has been eliminated.
- The current income levels for qualified taxpayers have been increased to: Single taxpayers, adjusted gross incomes of less than \$75,000; Married taxpayers, adjusted gross incomes of less than \$150,000.
- Voluntary interest payments are now deductible.

The maximum deduction is \$2,500 for 2011. Please note that these provisions are in effect for interest paid on qualified education loans on or after January 1, 2002.

SAMPLE CASH FLOW WORKSHEET

SOURCES OF CASH <div style="display: flex; justify-content: space-between;"> <u>Monthly</u> <u>Annual</u> </div> Net Income _____ Income Tax Return _____ Total Income _____ USE OF CASH: FOOD: Groceries _____ Outside Meals _____ HOUSING: Rent _____ Electric _____ Telephone: Cell _____ Telephone: Landline _____ Internet / Cable _____ Other _____ Other _____ CLOTHING Apparel & Misc _____ Dry Cleaning _____ INSURANCE Renters _____ Auto _____ Life Insurance _____ Disability _____ LTC _____ AUTOMOBILE Gasoline _____ Maintenance _____ Parking _____ INSTALLMENT PAY Creditors w/o St.Loans _____ MEDICAL Doctor/Dentist _____ Prescriptions _____ Child Care _____ Animal Care _____ Recreation _____ Clubs: Athletic _____ Haircuts _____ Gifts _____ Entertainment _____ Vacation(s) _____ Contributions _____ Misc. Spending _____ FIXED EXPENSES* _____ REMAINING EXPENSES _____ TOTAL EXPENDITURES _____ SURPLUS (DEFICIT) _____	Current Pay Stub	Income #1		Income #2		Total Gross
		Salary	Other	Salary	Other	
	Gross Income					
	Annual					
	Monthly					
	Federal Tax					
	State Tax					
	FICA	6.200%				
	FICA/Med	1.450%				
	Subtotal					
	Health Insurance					
	F.S.A / H.S.A					
	Group Life Insurance					
	Long-Term Disability Ins					
	403(b)					
	Parking					
	NET INCOME:					
	Monthly					
	CREDITORS					
	Company Name	Purpose	Notes	Payment	Account Balance	
		Mortgage				
		Auto				
		Auto				
		Credit Card				
		Credit Card				
		St. Loan				
		St. Loan				
	Total Liabilities					
	INSURANCE					
	Company Name	Type	Amount	Insured	Annual Payment	
		Home				
		Auto				
		Umbrella				
		Life				
		Life				
		Disability				
		Disability				
		LTC				
	Monthly Deposits	SAVINGS/INVESTMENTS			Account Balance	
		Company	Type	Owner		
			Checking			
			Money Mkt			
			403 (b)			
			401 (k)			
			IRA			
	0	Liquid Net Worth				

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FINANCIAL PLANNER DISCLOSURE FORM

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Broker-Dealer Affiliation _____

FINANCIAL PLANNING SERVICES PROVIDED

Financial planners provide a range of services.

- Which of the following financial planning services are offered by your firm?
 Goals and objectives
 Cash management, budgeting
 Tax forecasting
 Investment review and planning
 Estate planning
 Insurance needs in the area of life, disability, long-term care, health, property/casualty
 Retirement planning
 Education Planning
 Other _____
- Do your financial planning services include recommendations for specific investment of investment products? Yes No
- Do you offer assistance with implementation? Yes No
- Do you offer continuous, ongoing financial planning services? Yes No
- Do you take either full or limited discretionary authority over the management of assets?
 Yes No

BACKGROUND & EXPERIENCE

Licenses & Certifications

Insurance

- Life Insurance
- Disability Insurance
- Property/Casualty
- Fixed Annuities
- Variable Annuities Securities

General Securities

- General Securities
- Mutual Funds
- Limited Partnerships

- Certified Public Accountant
- Attorney
- Accredited Financial Planner Specialist (AFPS)
- Certified Financial Planner (CFP)
- Chartered Financial Consultant (ChFC)
- Chartered Financial Analyst (CFA)
- Personal Financial Specialist (PFS)
- Registered Investment Advisor
- Registered Representative (Broker)
- Other _____

Professional Associations

- International Association for Financial Planning (IAFP)
- Institute of Certified Financial Planners (ICFP)
- National Association of Personal Financial Advisors (NAPFA)
- Registry of Financial Planning Practitioners
- American Society of CLU & ChFC
- International Association of Registered Financial Planners (IARFP)
- American Bar Association
- American Institute of Certified Accountants (AICPA)
- Other _____

BACKGROUND & EXPERIENCE (cont.)

3. Education

- | | |
|--------------------------------------|---------------------|
| <input type="checkbox"/> Bachelors | Area of Study _____ |
| <input type="checkbox"/> Masters | Area of Study _____ |
| <input type="checkbox"/> MBA | |
| <input type="checkbox"/> Doctorate | Area of Study _____ |
| <input type="checkbox"/> JD | |
| <input type="checkbox"/> Other _____ | Area of Study _____ |

4. How long have you been offering financial planning services? _____
5. How many financial planning continuing education units (CEUs) have you completed in the last full calendar year? _____
6. Will you provide me with references? Yes No
7. Have you ever been cited by a professional or regulatory governing body for disciplinary reasons? Yes No

METHOD OF COMPENSATION

Financial Planning costs include what a consumer pays in fees and commissions.

1. How will I pay for financial planning services and plan implementation by you or your firm?
 Fees Commissions Other _____
2. Does your firm, an affiliate of your firm, or any member of your firm act as a general partner, participate in or receive compensation as a general partner, from investments that you may recommend to me? Yes No
3. Do you or any related parties receive any compensation from any persons of firms to whom I may be referred? Yes No

REGULATORY COMPLIANCE

The U.S. Securities & Exchange Commission (SEC) and most states require that an individual or firm holding out to the public as providing financial planning services, for compensation, under most circumstances, must be registered as an investment advisor with the SEC.

1. Are you or your firm registered as an investment advisor with the U.S. Securities & Exchange Commission? Yes No Excluded
2. Are you or your firm registered as an investment advisor with the state(s) of _____?
 Yes No Excluded
3. The SEC requires all registered investment advisors to provide a potential client with information reported on form ADV Part II. In what form will you provide this information to me?
 A copy of SEC form ADV Part II
 A brochure that includes ADV Part II information

Signature

Date

Keeping Track of Your Credit

Many creditors use automated scoring models to make lending decisions rather than rely on live credit analysts. You can increase your chances of receiving credit if you make sure your credit reports are accurate and up-to-date.

Keeping track of your credit is now easier thanks to the Fair and Accurate Credit Transactions Act of 2003, known as the FACT Act. Consumers benefit from new protections against identity theft, as well as the opportunity to receive free credit reports once a year from the newly established Annual Credit Report Request Service. This centralized credit reporting service is the only one authorized by Equifax, Experian and TransUnion to provide free credit reports to consumers.

To make it easier for consumers to request and receive these free credit reports, the service has established the Web site www.annualcreditreport.com. Consumers can request, view, and print one, two, or all three free credit reports via this secure Web site. Consumers can also request their free credit reports from this service:

- By phone at 877-322-8228.
- By written request mailed to:
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

"FIXING" YOUR CREDIT REPORT

Credit "troubles" will be highlighted on your report by either an asterisk or a box. You will probably be asked to provide an explanation for any such problems before being granted credit and it may well be necessary for you to "repair" your record before proceeding. Repairing a credit report usually requires a written explanation about why a particular account wasn't paid or was paid late. It is generally necessary to deal directly with the creditor who reported the problem to the credit bureau. When the matter is satisfactorily resolved that creditor must then inform the credit bureau.

It may also be helpful - when asking a creditor to correct erroneous information - to simultaneously contact the credit bureau with the same request. The law requires the credit bureau to follow up with the creditor and if the creditor fails to respond to the credit bureau within 30 days, the derogatory information must be removed.

If you don't have a reasonable explanation, and/or don't satisfy a creditor you may have to establish a track record of 12 to 24 months of timely payments before any one will wish to extend you credit.

The Federal Trade Commission provides more information on how to access these free credit reports and fixing your credit at www.ftc.gov.

A defaulted loan is reported to credit bureaus and may remain on a borrower's credit report for up to seven years. Rehabilitation removes the default notation from a borrower's credit report. To rehabilitate a Federal Direct Loan, a borrower must make 12 reasonable and affordable, consecutive, voluntary, on-time, full monthly payments to the Department of Education. To rehabilitate an FFEL, a borrower must make 12 similar monthly payments to the holder of the defaulted loan *and* the loan must be resold.

DEBT MANAGEMENT

Your Rights and Responsibilities as a Borrower

When you borrowed, you accepted a set of responsibilities that last for the lifetime of each of your loans. You also were assured of certain rights to which you likewise remain entitled throughout the life of the loans. You need to clearly understand both your rights and your responsibilities in order to understand the range and limitations of your debt management options.

A Borrower's Rights

You have the right to know:

1. The lender (holder) cannot change the terms of your loan without your consent.
2. The interest rate for your loan(s) is specified in the promissory note(s).
3. The lender must return the promissory note to you when the loan is paid in full.
4. The lender will provide you with a *repayment schedule* before the repayment period begins and must notify you of the date your repayment period begins no later than 120 days after you leave school.
5. If your lender sells the loan to another lender, or if a party other than the lender services the loan, the lender must notify you within 30 days of the transaction and send you a letter clarifying your obligations to the new lender/servicer.
6. You may have a right to a *grace period* before repayment begins after you have completed school attendance, internship and residency in an accredited program, or a fellowship training program or full-time educational activity approved by the U.S. Secretary of Education for this purpose.
7. If you qualify, you may apply for a *deferral* of your loan payments.
8. You have a right to repay the whole or any portion of the loan at any time *without penalty*.
9. Some of your loan obligation may be canceled in the event of your death or permanent and total disability in accordance with applicable Federal statutes and regulations.
10. If you are willing but financially unable to make the required payments on your loans, you may request the lender to grant *forbearance*. Forbearance is the temporary cessation of payments, allowing an extension of time for making payments, or accepting smaller payments than were previously scheduled. The lender must grant forbearance of principal, interest, or both. Forbearance requires a written agreement between borrower and lender. Unlike periods of deferment, when forbearance is granted the borrower is responsible for repayment of accrued interest charges. *Lenders do not have to grant forbearance except in the case of medical residents still in their training period.*
11. You may be eligible to have your loans combined by a lender when you enter repayment.
12. **If you are unable to resolve any student loan problems with your lender, servicer, guarantor, or school, you have the right to contact the Student Loan Ombudsman's office at:**

U.S. Department of Education
FSA Ombudsman
830 First Street, NE
Fourth Floor
Washington, DC 20202-5144
Phone: 877-557-2575; Fax: 202-275-0549
www.ombudsman.ed.gov

A Borrower's Responsibilities

You are **required** to:

1. Repay your loan(s) with all accrued interest and deducted fees according to the repayment schedule provided by the lender at the time you leave school. *You must contact your lender no later than 90 days before any grace period ends.*
2. Notify your lender if any of the following events happened to you:
 - you change your name, address, phone number, or social security number
 - you transfer to another school
 - you enroll for less than half-time
 - your graduation date changes
 - you cease to participate in an activity eligible for deferment

Note: If you fail to notify your lender of changes and if your lender is unable to locate you, you will be held responsible for any fines, fees, or costs associated with a default status.

3. Properly direct all future correspondence to the new holder of your loan once you are notified in writing that your loan has been transferred to a new holder or service.

You are **expected** to:

1. Understand that you can use the proceeds of your loans only for tuition, fees, and other reasonable educational and living expenses.
2. Understand that the lender may charge an insurance premium and you will not be entitled to any refund of this premium.
3. Understand that to receive a deferment, including a deferral of the onset of the repayment period, you must, prior to the onset of the activity and annually thereafter, submit to the lender of the note evidence of your status in the deferment activity and evidence that verifies deferment eligibility of the activity. *It is your responsibility to provide the lender with all required information or other information regarding the requested deferment.*
4. Know that you have a variety of repayment options available to you. The “standard” repayment plan is a maximum of 10 years to repay your Title IV loan(s).
5. Understand that if you fail to repay your student loan, you will be considered in default and the following may result:
 - It may be reported to a consumer credit bureau and have a negative effect on your credit rating.
 - You may be ineligible to receive any additional federal or state financial aid funds.
 - Your federal and state income tax refunds may be withheld.
 - Your state medical license may be suspended.
 - Your wages may be garnished.
 - A lien may be placed on your property.
 - Your Medicare reimbursements may be reduced or you may be excluded from participation in the Medicare program.
 - Written-off debt may be reported to IRS as taxable income.

“Help! Where is my loan?”... Secondary Markets

To further complicate the picture, your original lender may sell your promissory note to a *secondary market*, which thus becomes the new holder. This new entity probably has its own service contract with a different national servicer. Keep in mind that *each* of your promissory notes is a single salable entity and the odyssey for any one may differ markedly from that of another. If you have borrowed only under the Federal Direct Stafford Loan Program, you are fortunate because your loan portfolio has not been sold and will always be serviced by the servicer(s) hired by the Department of Education for that purpose.

The key to dealing with this potential confusion lies in:

1. having a basic understanding of how the system works and what the major players' roles are;
2. having a record-keeping system sufficiently well-organized to enable you to track loans individually;
3. recognizing the names of your loan servicers so that you will ALWAYS open their mail.

WHY IS A LOAN SOLD? Although to you a Student Loan was a means to help pay for your education, in the financial community student loans are investments to be bought, sold and traded much like stocks or other commodities. Often, student loans are sold by original lenders to generate income for other, shorter-term or more profitable lending products or, in some cases, to provide additional student loan funding on a local level.

ARE ALL YOUR LOANS BOUGHT AT THE SAME TIME? Not necessarily. Loans can be sold at any time after disbursement. Some of your loans may have been sold before you even took subsequent ones.

WHO DO YOU CALL WHEN YOU'RE CONFUSED? It depends on what information you need. The most important party during repayment is the one performing loan servicing activities. This party can be the original lender, a secondary market, or a contract servicing organization. You must carefully read correspondence from all parties to be certain that you understand who the current servicer is.

When a loan changes hands, the original owner and the new owner or servicer send you a borrower notification letter which clarifies who the servicer is, what loans are involved, where to write or call, and what the status is of those loans. This is an important letter to keep. It is also an important letter to receive *so you must maintain an accurate, current address with your lender.*

If you do not know who your servicer is, contact your original lender (the originator of the loan) and, if they are unable to help, contact the original guarantor.

HOW CAN YOU BE SURE THAT YOUR LOANS WON'T BE SOLD? You can't. Most promissory notes contain a seller's clause that allows a lender to sell the loan.

WHO IS RESPONSIBLE FOR MAKING SURE YOU ARE NOTIFIED IF YOUR LOAN IS SENT ELSEWHERE? The sender, the receiver and you. In virtually all Student Loan transfer transactions, both the originator and the receiver send notification of the transfer (which might also be called the "conversion" or the "sale"). However, you must be certain that the originator has your correct, current address or you may never receive these notices.

WHAT HAPPENS TO THE MONEY YOU HAVE ALREADY PAID TOWARD YOUR PRINCIPAL AFTER THE LOAN IS SOLD? The loan is sold for the "current outstanding principal balance" not the original principal. So if you paid off \$1,000 of a loan worth \$2,000, the buyer is only purchasing a \$1,000 loan plus any accrued interest.

DO YOU HAVE TO RE-FILE DEFERMENT FORMS IF YOUR LOAN IS SOLD? Not necessarily. If the deferment was granted or processed by the original lender, there should be no problems. All paper documents are transferred with your loan. However, it is possible for documents in process to become lost or not to reach their destination and you may be required to re-send the forms. A good rule is to keep a copy of any documents sent to a servicer (and to send all documents via certified mail, "return receipt requested").

DOES A LOAN CHANGE IN ANY WAY AFTER IT IS SOLD? No, unless you decide to consolidate all types into one loan. The new loan may have totally different terms than the terms of the original loans.

DO YOU STAY WITH YOUR ORIGINAL REPAYMENT SCHEDULE IF YOUR LOAN IS SOLD OR SERVICED ELSEWHERE? Yes, the terms are contractually set by your repayment obligation (also known as "Installment Promissory Note") and cannot be changed without your written consent.

Maximizing GRACE & DEFERMENT Options

Grace: *Period of time at beginning of repayment during which no payments are due [and - on subsidized loans - no interest accrues.]*

Deferment: *A time period when the borrower does not have to make payments on a loan because of participation in a specified activity.*

Your student loans were deferred throughout medical school because you qualified for an *in-school deferment*. Once you graduated, any applicable *grace period* kicked in and once that period of time elapses, the holder of your loan(s) will expect repayment to begin *unless you notify the servicer that you are engaged in another deferrable activity* as described in the chart on page 20.

Applicability of a grace period and/or deferment criteria are *determined by the type of loan(s) you have and the date on which you negotiated your first such loan*. Specific information about loan program grace and deferment options most applicable to current residents are described below *by program*. The chart on page 20 provides more detail with regard to other deferment statuses. Blank application forms for the most common deferments utilized by residents can be obtained in the Financial Aid Office, or at our web site: <http://www.urmc.rochester.edu/education/financial-aid/medical-dental-residents.cfm>.

Federal Subsidized and Unsubsidized Stafford Loans

Grace period: 6 months.

Deferments and forbearances are available.

Federal Graduate PLUS Loans

Grace period: Within 60 days of final disbursement.

Deferments and forbearances are available.

Perkins Loan

Grace period: 9 months for loans made prior to 10/1/81 and/or for new borrowers on and after 7/1/87.

Deferments and forbearances are available.

Interest: None during grace and deferment periods.

Moving on to FORBEARANCE

Forbearance: the granting by a lender or guarantee agency of a temporary cessation of principal and/or interest payments, an extension of time for making payments, or the privilege of making smaller payments.

Eligibility for Forbearance

Various forbearance options exist depending on your circumstances. For both discretionary forbearance and mandatory forbearance, you must ***submit a written request***.

Discretionary forbearance may be granted at the lender's discretion for up to one year at a time if:

- (1) poor health or other personal or financial problems affect your ability to make scheduled payments;
- and***
- (2) the lender believes that you intend to repay the loan.

Mandatory forbearance of both principal and interest (if you so request) must be granted by a lender under the following circumstances:

- (1) you are eligible under the terms of your loan for a two-year medical or dental internship or residency deferment and that deferment period has expired – such a forbearance can be expected to last throughout the remaining residency period, but will probably need to be renewed annually;
- or***
- (2) your Title IV debt burden equals or exceeds 20 percent of your total monthly income – such a forbearance may extend for a period of up to three years.

Even without your written request, a lender may grant an **administrative forbearance**. The lender grants this type of forbearance only as a measure to prevent default when your payments are overdue or in certain unique circumstances. While this form of forbearance does not require your permission, the lender must notify you when administrative forbearance has been granted. The following are conditions under which a lender **may** grant administrative forbearance:

- (1) when a deferment is granted, and the lender later learns that the borrower did not qualify for the deferment;
- (2) at the beginning of a deferment period;
- (3) during the period of time between which the borrower entered repayment and the first payment due date was established;
- (4) during a period of national military mobilization or other national emergency;
- (5) during a period prior to a borrower's filing of bankruptcy;
- (6) during a period between the time a lender learns of a borrower's (or student's, in the case of a PLUS loan) death or total and permanent disability, and documentation of those conditions is received (up to 60 days);
- (7) to a borrower who is less than 60 days delinquent on a loan at the time the loan is sold or transferred.

In the case of a **mandatory administrative forbearance**, the lender is not required to obtain a forbearance request or supporting documentation from you, nor is the lender required to notify you at the time the forbearance is granted; the forbearance period lasts until the lender is notified by the Secretary of Education or the guarantor that the forbearance period no longer applies. For the periods specified below, a lender **must** grant a mandatory administrative forbearance:

- (1) exceptional circumstances exist, such as a local or national emergency or military mobilization;
- (2) the geographical area in which the borrower or endorser resides has been designated a disaster area by the president of the United States or Mexico, the prime minister of Canada, or by a governor of a state;
- (3) during a period of up to three years where the effect of a variable interest rate change causes the extension of the maximum repayment term; or
- (4) during a period of up to five years when an income-sensitive repayment schedule causes the extension of the maximum repayment term.

Interest Payments During Forbearance

During a forbearance period, you must make arrangements for the payment of interest. If, however, you are unable to pay the accruing interest, lenders may offer you the option of interest **capitalization**. With your consent, this option permits the lender to add the accruing interest to the principal balance. If you choose this alternative, be aware that capitalization increases the amount of money that you must ultimately repay because the interest is added to the loan's principal balance. Consequently, your monthly payment when the forbearance period expires, is higher than it would otherwise have been.

When forbearance involves the postponement of both principal and interest, the lender must contact you either by telephone or in writing at least once every three months to remind you of your outstanding obligation to repay.

Applying for Forbearance

- (1) Contact your lender(s) to obtain the required application form(s).
- (2) Your request for forbearance must be in writing and the forbearance agreement must be signed by both you and an authorized official of the lender.
- (3) No administrative or other fee may be charged and no adverse information may be reported to credit bureaus solely because of the granting of forbearance.
- (4) Most forbearances are for a period of twelve (12) months and must be renewed annually.
- (5) A borrower granted forbearance must be given the temporary cessation of payments option unless the borrower prefers one of the other two options (more time, reduced monthly payments).

DEFERMENT ELIGIBILITY CHART

Deferment Condition	FEDERAL PERKINS LOAN PROGRAM	HPSL STUDENT LOAN PROGRAM	FEDERAL STAFFORD LOAN PROGRAM	FEDERAL GRADUATE PLUS LOAN PROGRAM	FEDERAL CONSOLIDATION LOAN PROGRAM	FEDERAL DIRECT CONSOLIDATION LOAN PROGRAM
	Perkins Loans @ 7/1/93	Prior Borrower	New ¹ Borrower @ 7/1/93	New ¹ Borrower @ 7/1/06	New ¹ Borrower @ 7/1/93	
Full-Time study	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Half-time study	No Limit	-	No Limit	No Limit	No Limit	No Limit
Graduate Fellowship study	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Rehabilitation training	No Limit	-	No Limit	No Limit	No Limit	No Limit
Less-than-half-time study	-	-	-	-	-	-
Armed Forces	-	3 yrs	-	-	-	3 yrs ⁷
Public Health Service	-	3 yrs	-	-	-	3 yrs ⁷
Peace Corps/Action	-	3 yrs	-	-	-	3 yrs ⁷
Tax-exempt organization	-	-	-	-	-	3 yr ⁷
Temp, total disability/borrower	-	-	-	-	-	3 yr ⁷
Temp, total disability/spouse	-	-	-	-	-	3 yrs ⁷
Temp, total disability/depend't	-	-	-	-	-	3 yrs ⁷
Nat'l Oceanic & Atmospheric Admin. (including Military and Health Service)	-	-	-	-	-	3 yrs ⁷
Teaching in targeted area	-	-	-	-	-	3 yrs ⁷
Internship/residency	-	No Limit	-	-	-	2 yrs ⁷
Internship/hospital/health care (including above)	-	No Limit	-	-	-	2 yrs ⁷
Unemployment	3 yrs	6 mo	3 yrs	3 yrs	3 yrs	3 yrs
Economic Hardship ⁶	3 yrs	6 mo	3 yrs	3 yrs	3 yrs	3 yrs
Mother entering work force ³	-	-	-	-	-	1 yr ⁷
Parental leave ⁴	-	-	-	-	-	6 mo ⁷
Primary Care Service ⁵	-	-	-	-	-	

DEFERMENT SUMMARY – FOOTNOTES

- 1) A 'new borrower' in a given program is one who had no outstanding balance on the date he or she signed the promissory note and who received a loan under the programs either (1) for a period of enrollment beginning on or after the indicated date, or (2) disbursed on or after the indicated date.
- 2) Eligible for deferment while engaged in at least half-time study at a participating school if the borrower obtained a GSL or SLS loan for that period of enrollment.
- 3) A Perkins Loan borrower or a new GSL or SLS borrower is eligible for deferment for periods not exceeding 12 months if the borrower is a mother with preschool-age children, is entering or re-entering the work force, and is being paid no more than \$1 above minimum wage.
- 4) A 'parental deferment' is a period not exceeding six months during which the borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following adoption. The borrower may neither be attending school nor be gainfully employed, and must have been enrolled on at least a half-time basis at a participating school at some time during the six months preceding the period of parental leave.
- 5) On loans for which the promissory note is signed on or after 10/13/92, 3 years for any borrower who has completed an accredited internship or residency training program in family medicine, general internal medicine, preventive medicine or general pediatrics and who is practicing primary care.
- 6) A borrower is considered to have an economic hardship if the borrower
 - is receiving payment under a federal or state public assistance program;
 - is working full time but earning an amount that does not exceed the greater of
 - ◇ the federal minimum wage, or
 - ◇ an amount equal to 150% of the poverty guideline applicable to the borrower's family size as determined according to section 673(2) of the Community Service Block Grant Act.
- 7) Only true if loans being consolidated include FFEL loans made before July 1, 1993.

Please Note: Effective July 1, 2009, some deferment eligibility requirements were changed. Please check with your lender on your current eligibility.

Selecting a REPAYMENT PLAN

When you do finally enter the repayment period, you will have a variety of repayment plans from which to select. Your options have differing advantages and disadvantages, and you will need to consider which plan best complements your anticipated income. In essence, as the chart in Appendix C illustrates, you will pay more in the long term for the right to pay less in the short term. Of course, you can select a longer repayment period in order to reduce monthly payments in the early years, but then pre-pay the entire loan as income rises quickly in the early years of practice.

Below are summaries of repayment options both for Federal Family Education Loan Program (FFELP) borrowers and Federal Direct Loan Program (FDLP) borrowers. In both programs, if you do not specify a repayment plan, you will be given the Standard Plan. While other private and government loan programs may offer different combinations of alternatives, the plans described here will give you a sense of the available options. There are a variety of web sites and software options available to assist you in comparing repayment options. One of the most useful is the Federal Direct Loan web site: <http://www.ed.gov/DirectLoan/calc.html>.

Federal Family Education Loan Programs (FFELP) Repayment Plans

1. Standard (or Fixed) Repayment Plan

- a) Repayment period is 10 years.
- b) Annual repayment amount is fixed.
- c) Minimum annual repayment is \$600.

2. Graduated repayment plan

- a) Repayment period is 10 years.
- b) Annual repayment amount varies.
- c) Monthly repayment amount may increase or decrease but generally is lower in the early years of the repayment period.
- d) Annual repayment amount is not necessarily related to individual borrower and/or borrower's income.

3. Income-Sensitive Repayment Plan

- a) Repayment period is 10 years.
- b) Annual repayment amount changes based on borrower's income.
- c) Adjustment based on amount of borrower's expected take-home pay during the next repayment period.

4. Income-Contingent Repayment Plan

- a) This repayment plan is available to FFEL borrowers whose lender either requested an alternate repayment option because the borrower is considered to be at "high risk of default" as defined by regulations; or assigned the borrower's loan(s) to the Department of Education because the borrower has defaulted on the loan(s).
- b) Maximum repayment period is 25 years.
- c) Borrower's monthly repayment amount is generally based on the total amount of the borrower's (and, in some circumstances, the borrower's spouse's) loans, family size, and Adjusted Gross Income (AGI).
- d) Not available to Federal PLUS borrowers.

5. Income-Based Repayment Plan

- a) Repayment period is up to 25 years.
- b) Program "caps" loan payments at 15% of the borrower's income that exceeds 150% of the federal poverty line for their family size.

Federal Direct Loan Program (FDLP) Repayment Plans

1. Standard (or Fixed) Repayment Plan

- a) Repayment period is 10 years.
- b) Annual repayment amount is fixed.
- c) Minimum annual payment is \$600.

2. Extended Repayment Plan

- a) Repayment period varies from 12 to 30 years.
- b) Lower monthly payment than Standard Repayment Plan.
- c) Usually the borrower will pay more interest because of the longer repayment period.

3. Graduated repayment plan

- a) Repayment period is 10 years.
- b) Annual repayment amount varies.
- c) Amount increases every two years.
- d) Annual repayment amount is not necessarily related to individual borrower and/or borrower's income.

4. Income-Contingent Repayment Plan (the "Pay-As-You-Can Plan")

- a) Maximum repayment period may not exceed 25 years.
 - b) Borrower's monthly repayment amount is based on the total amount of the borrower's Direct Loans and Adjusted Gross Income (AGI), so repayment amounts adjusted as income rises or falls.
- 5. Income-Based Repayment Plan**
- a) Repayment period is up to 25 years.
 - b) Program "caps" loan payments at 15% of the borrower's income that exceeds 150% of the federal poverty line for their family size.
- 6. If none of the other plans** meet your needs because you have exceptional circumstances, the Direct Loan Servicing Center may provide an individually designed alternative repayment plan.

Contemplating LOAN CONSOLIDATION and REFINANCING

Consolidation: *the process of repaying several loans with a single new loan, the specific terms of which may differ from those of the loans being paid off.*

When you consolidate your loans, understand that your old loans are being repaid in full with a totally new loan. The key to deciding whether it is in your best interest to consolidate is to compare the *terms of the new loan* with those of your current loans. There is only one avenue to consolidation: the Federal Direct Consolidation Loan Program.

In examining the potential advantages and disadvantages of loan consolidation, consider three major questions: **whether** to consolidate, **when** to consolidate, and **which loans** to consolidate.

Deciding **whether** to consolidate requires a cost/benefit analysis. Questions to consider include:

- After necessary expenditures for living expenses, *could* you meet your scheduled loan payments or is it *essential* that you reduce the monthly payment(s) by some means?
- How much are you willing to pay, if necessary, to reduce the number of your loan servicers and hence the paperwork required to manage your debt burden?
- How will the interest rate on the new loan compare to those of the old loans?
- What deferments might you *lose* through consolidation?
- What deferments might you *gain* through consolidation?
- How will your income stream change from year to year in the early years of loan repayment?
- Do your current loans offer repayment schedules that are commensurate with that income stream?

Deciding **when** to consolidate flows from the process of determining **whether** to do so. The key is to time consolidation to keep interest as low as possible, maximize grace and deferment options, and access repayment plan schedules that best fit your income stream and career path.

Deciding **which loans** to consolidate requires the analysis of anticipated interest rates, type and length of selected repayment schedule, resultant monthly payments and total finance charges for *each* loan eligible to be considered and – then – the comparison of that cost with the cost of the various combinations of comparable consolidation loans. Consolidation loans offer longer repayment terms; in many cases, depending on the total outstanding debt at the time of consolidation, up to 30 years.

Federal Direct Consolidation Loan Program (<http://www.loanconsolidation.ed.gov/>)

To receive a Federal Direct Consolidation Loan, you must currently have an outstanding balance on either a Federal Direct Loan **or** a FFEL, be in a grace period or repayment status on all loans being consolidated, or, if in delinquent or default status, intend to re-enter repayment through such consolidation.

You can apply for a Federal Direct Consolidation Loan while you are:

- in your six-month grace period,
- in repayment,
- in deferment, or
- in default, so long as you either agree to repay the loan under the Income Contingent Repayment Plan, or you make "satisfactory" repayment arrangements, e.g., make three consecutive monthly payments.

The interest rate for Direct Consolidation Loans is based on the weighted average of the interest rates on loans being consolidated, rounded to the nearest higher one-eighth of one percent. The rate is fixed and will not exceed 8.25%. Borrowers may also use the interactive calculator at www.loanconsolidation.ed.gov to determine their weighted average interest rate and to see what their loan payments might be under each of the four repayment plans.

A **Federal Direct Consolidation Loan** may have either or both a *subsidized* and an *unsubsidized* component. To the extent that the loans being repaid through the consolidation were originally subsidized, the proportional component of the new loan will also be subsidized. There will be no subsidy for the portion of the new loan which relates to previously unsubsidized loans.

Loans which contribute to the subsidized portion of a Federal Direct Consolidation Loan:

- Federal Stafford Loans (subsidized)
- Guaranteed Student Loans
- Federal Insured Student Loans (FISL)
- Federal Direct Subsidized Loans
- Other Direct Subsidized Consolidation Loans
- Federal Perkins Loans, National Direct Student Loans, and National Defense Student Loans

Loans which contribute to the UNsubsidized portion of a Federal Direct Consolidation Loan:

- Federal Unsubsidized Stafford Loans
- Federal Supplemental Loans for Students (SLS)
- Federal Consolidation Loans
- Federal Direct Unsubsidized Loans
- Other Direct Unsubsidized Consolidation Loans
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Loans for Disadvantaged Students (LDS)
- Loans made under Subpart II, Part B, Title VIII of the Public Health Service Act, including nursing school loans

LOAN FORGIVENESS and REPAYMENT PROGRAMS

Loan Forgiveness/Repayment Programs help repay a portion of a student's loans in exchange for one or more years of service, often in a medically under-served area. A good source of information on programs in all fifty states, the District of Columbia, and Puerto Rico, is the publication "**State and Other Loan Repayment/Forgiveness and Scholarship Programs**," published by the Association of American Medical Colleges. This book is available for you to review online at the web site below, or you can write to request your own copy:

- Section for Student Programs
- Division of Student Affairs and Education Services
- Association of American Medical Colleges
- 2450 N Street, NW
- Washington, DC 20037-1126
- (202) 828-0681 or (202) 828-0680
- FAX: (202) 828-1125
- Web Site: services.aamc.org/fed_loan_pub/index.cfm

The following programs represent only a few **examples** of the many programs described in this book.

Army Reserve's Health Professionals Loan Repayment Program

Participants may have 15% of their educational debt or \$3,000, whichever is higher, repaid for each year of Reserve Service, up to a maximum of \$50,000. For additional information, call 1-800-USA-ARMY, call your local recruitment office, or visit their web site at <http://healthcare.goarmy.com/>.

Indian Health Service Loan Repayment Program

Participants may select a two-year contract with the Indian Health Service (IHS) to provide full-time clinical service at a designated priority site. For physicians accepting a two-year contract, the IHS will repay outstanding educational loans of up

to \$20,000 per year for each year of service. IHS also will pay up to 31 percent of the increased federal tax directly to the Internal Revenue Service on behalf of the physician.

Selection priorities: Priority specialties are announced annually. Priority is historically given to residents and physicians in the fields of Family Medicine, Internal Medicine, Obstetrics-Gynecology, Pediatrics, Geriatric Medicine, Podiatric Medicine, and Psychiatry. Other qualified physicians agreeing to go to the *neediest sites* also have priority.

Applications can be obtained from:

Indian Health Service
Loan Repayment Program
801 Thompson Avenue, Suite 120
Rockville, Maryland 20852
Phone: (301) 443-3396; Fax: (301) 443-4815
www.ihs.gov/JobCareerDevelop/DHPS/LRP/

National Health Service Corps (NHSC) Loan Repayment Program

The NHSC, a component of the Health Resources and Services Administration, offers forgiveness programs to physicians who agree to practice for a set number of years in areas that lack adequate medical care, including remote and/or economically depressed regions. Eligible medical disciplines include Family Practice, General Pediatrics, General Internal Medicine, General Psychiatry, Geriatrics, and Obstetrics-Gynecology. This program provides up to \$60,000 for loan repayment for a two-year, full-time commitment, or for a two or four-year part-time commitment. This is in addition to the physician's salary and benefit package. Furthermore, NHSC pays 39 percent of the loan repayment to cover income tax liability.

Contact: Division of Scholarships & Loan Repayments
Loan Repayment Programs Branch
Bureau of Primary Health Care
4350 East-West Highway, 10th floor
Bethesda, MD 20814
For applications call: 1-800-221-9393
E-mail: sshorter@hrsa.gov
nhsc.hrsa.gov/loanrepayment

Disadvantaged Health Professions Faculty Loan Repayment Program

Physicians from disadvantaged backgrounds who sign at least a two-year contract as a full-time faculty member of an accredited health professions school, may have up to \$40,000 of debt repaid for faculty service performed. Additional information is available from:

Faculty Loan Repayment Program
HRSA Bureau of Health Professions
Parklawn Building - Rm. 8-42
5600 Fishers Lane
Rockville, MD 20857
Phone: 1-877-897-9910
Fax: (301) 443-0846
www.hrsa.gov/loanscholarships/repayment/Faculty/index.html

NIH Research Loan Repayment Programs

Participants sign a contract with the National Institutes of Health (NIH) to engage in qualified research as an employee of the NIH for a minimum period of two or three years. The Programs will pay a maximum of \$35,000 a year toward participants' outstanding eligible educational debts for a minimum two-year commitment in the Clinical, Pediatric, Contraception and Infertility, or Health Disparities Research Programs or a minimum three-year commitment in the General Program.

Selection priorities: U.S. citizens/nationals/permanent residents who have educational debt in excess of 20% of their beginning annual NIH salary or stipend. Individuals employed by the NIH between 11/4/87 and 11/3/88 are not eligible. Individuals with existing service obligations under other programs will not be considered until the prior existing obligation is discharged.

Applications can be obtained from:

NIH Research Loan Repayment Programs
National Institutes of Health
2 Center Drive – 2nd floor
Bethesda, MD 20892-0230
Phone: (866) 849-4047; Fax: (866) 849-4046
www.lrp.nih.gov

Other Federal and State Forgiveness/Repayment Programs:

Federal Public Service Loan Forgiveness Program

This program discharges any remaining debt after 10 years of full-time employment in public service and 120 monthly payments made on or after October 1, 2007 on an eligible Federal Direct Loan. Eligible loans include Federal Direct Stafford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans. Borrowers in the FFEL program will need to consolidate into Direct Loans. For more details visit the AAMC web site (www.aamc.org/services/first).

New York State Regents Physician Loan Forgiveness Program

Participants will receive up to \$10,000 in educational loan repayments for each year of medical practice in an area of New York State designated as having a shortage of physicians. There is a minimum service requirement of two years; the maximum award is \$40,000 for four years of service.

Eligibility Requirements:

- Graduate of licensure-qualifying program of study in New York State registered by the Education Department.
- New York State permanent, legal resident.
- Completed residency training within five years preceding date of first award payment.
- U.S. Citizenship or lawfully admitted alien for permanent residence.

Applications can be obtained from:

Scholarship Unit
NYS Education Department
Room 1071 EBA
Albany, New York 12234
(518) 486-1319, Fax: (518) 486-5346

New York State Loan Repayment Program

Participants will receive up to \$15,000 in educational loan repayments for each year of medical practice in an area of New York State designated as having a shortage of physicians. (Maximum 2 years, \$30,000.)

Eligibility Requirements (not necessarily comprehensive):

Licensed in Family Practice, Internal Medicine, Pediatrics, OB/GYN;
nominated by an eligible site.

Applications can be obtained from:

Physician Loan Repayment Program
NYS Department of Health
Bureau of Health Resources Development
Empire State Plaza, Corning Tower, Room 1084
Albany, New York 12237
1-800-462-5767

New York State Resident Loan Repayment Program

The Resident Loan Repayment Program may provide up to \$30,000 to residents in approved primary care residency programs who agree to practice primary care in New York State for a limited period of time after completion of training.

Depending on level of outstanding, qualifying debt, up to \$10,000 can be paid at the beginning of both the second and third years of residency training in a primary care residency program. Enhanced awards of up to an additional \$5,000 per year are available for residents whose continuity training site is in underserved areas designated for this program.

Recipients must begin providing primary care in New York State within 60 days after completion of their primary care residency program or obtaining their medical license, whichever is later.

To be eligible, applicants must:

- enter a primary care residency program after January 1, 1994;
- be in good standing in a primary care residency program as designated by the New York State Council on Graduate Medical Education prior to July 1 of the year in which they began residency training in that program;
- be eligible to apply for licensure in NYS upon satisfactory completion of the residency training, and meet the character and moral standards required for licensure as a physician;
- agree to apply for licensure at least 6 months before the anticipated completion of their primary care residency program;

For further information, contact:

Resident Loan Repayment Program
NYS Department of Health
Bureau of Health Resources Development
Empire State Plaza, Corning Tower, Room 1084
Albany, New York 12237-0053
1-800-462-5767

DELINQUENCY & DEFAULT

Generally, lending institutions require collateral or other security prior to making a long-term consumer loan. In the Federal Stafford Loan programs a guarantee agency functioning on behalf of the federal government insures that the loan will be repaid if the borrower defaults. Thus, in the event of default, the guarantee agency may ultimately be required to repay the lender after a default claim has been filed. In turn, this action requires the agency which paid the claim to pursue collection until every possible means of collection has been exhausted, at which time a claim can be submitted to the U.S. Treasury.

A loan in repayment becomes delinquent whenever a scheduled payment has not been made by the due date. The lender is required to send at least two (2) written notices or collection letters to the borrower within the first 30 days of the delinquency in an attempt to re-establish payments. During days 31 through 60, the lender must attempt to contact the borrower by telephone. If the borrower cannot be contacted by telephone, at least 2 forceful collection letters must be sent, warning the borrower that the loan may be assigned to the guarantee agency, resulting in damage to the borrower's credit rating and possible litigation. During each 30-day period from day 61 through day 150, more attempts to contact the borrower by telephone or letter must be made. A final demand letter is sent between day 151 and day 180; 30 days are allowed following the final demand letter before the default claim is filed.

During this time the lender is urged to use skip-tracing services, if the borrower cannot be located, as well as pre-claims services provided by State agencies and the Federal government. The lender is urged to resort to litigation (law suit) in an endeavor to re-establish payment. To this end, most of the notes used in the Stafford Loan Program (GSL) contain an acceleration clause which allows the lender to demand the entire balance of the loan due at one time, following other efforts to collect.

Lenders may not file a default claim with the guarantor of the loan unless the delinquency has persisted for:

- 270 days for a loan repayable in monthly installments; or
- 330 days for a loan repayable in less frequent installments.

A claim is filed by the lender after all attempts at collection have failed and the loan has gone into default. The guarantor or insurer of the loan is obligated to pay the principal balance plus accrued interest to the lender. Once the claim has been paid, the defaulted loan then becomes the property of the guarantee agency, which then continues to pursue collection. These public agencies have various collection methods open to them that do not exist for the commercial lender.

The Federal government has been authorized to (a) garnishee Federal salary checks for defaulters in public service, and (b) report loan defaults to credit bureaus and other agencies which serve as repositories for individual credit histories. State governments, in some instances, have secured authority to offset defaulted loan amounts against State income tax refunds due an individual defaulter. The reauthorization legislation of 1986 also requires guaranty agencies, eligible lenders, and subsequent holders of loans to enter into agreements with credit bureaus to exchange information regarding student borrowers. The Technical Amendments of 1987 also allow eligible institutions to enter into arrangements with holders of delinquent loans for the purpose of providing information regarding a borrower's location or employment of for the purpose of assisting the holder in helping borrowers avoid default. Also, states are now adding a student loan default question to their licensure application.

If the borrower encounters problems during the repayment period, the cardinal rule is: communicate with the lender to see what arrangements are available to keep the loan out of the delinquent and the default category.

Senior Medical Student and Resident Loan Programs

Some loan assistance is available to fourth year medical students to assist them with their interviewing and relocation expenses during the transition to residency. These programs may also offer assistance during and after the residency program. These are *consumer*, as opposed to *educational* loans, and may, therefore, be more costly. For more specific information about senior and resident loans, contact your lender or the Financial Aid Office.

APPENDIX A

GLOSSARY OF TERMS

Accrued interest	The amount of money that has accumulated on the principal of your loan.
Amortization	A gradual reduction of a loan debt through periodic installment (usually monthly) payments of principal and interest.
Borrower	The person who obtains the loan and is required to repay it.
Cancellation	Circumstances under which the borrower is not required to repay the loan. Most often cancellation is associated with the death or total and permanent disability of the borrower, although certain federal loans – or portions of these loans – are sometimes canceled when the borrower works in a specific area.
Capitalization	See “Interest Capitalization.”
Compounded Interest	See “Interest Capitalization.”
Consolidation	See “Loan Consolidation.”
Default	<p><u>Federal loan</u>: Default on a federal loan occurs when a borrower fails to make payments on a loan for 270 days. During the delinquency period, the lender must exercise due diligence in attempting to collect the loan; that is, the lender must make repeated efforts to locate and contact you about repayment. If these efforts are unsuccessful, the lender will usually take steps to place the loan in default and turn the loan over to the guarantee agency in your state for collection. Lenders may accelerate a defaulted loan, which means that the entire balance of the loan (principal and interest) becomes due in a single payment.</p> <p><u>Private loan</u>: For private loans, default typically occurs when you fail to make payments on your loan for a certain period of time. This time frame is specified in your loan materials.</p>
Deferment	A period of time for which the borrower does not have to make payments on a loan because he or she is engaged in an activity specified as eligible for deferment, such as full-time student status or post graduate training. Deferments are not granted for unlimited periods.
Delinquent	A borrower is late in making payments on a loan, but is not yet in default.
Disclosure Statement	A document prepared by the lender that identifies the cost of the loan to the borrower as a result of the interest charged, accruing and capitalization of interest, and other finance charges.
Economic Hardship Deferment	A period of time during which you are entitled to postpone repayment on the principal balance of your loan. The deferment is based on the documentation provided to your lender which indicates that your total monthly income does not exceed the federal minimum wage or an amount equal to 150% of the poverty guideline applicable to the borrower’s family size.
Equal Installments	Repaying the loan in the same increments over time such as \$50 every month, or \$90 every quarter.
Fixed Interest rate	The interest rate remains the same over the life of the loan.
Forbearance	A formal arrangement between a borrower and the lender/holder or servicer that prevents delinquency or default by allowing the borrower to suspend/reduce payments for a period of time, because the borrower is facing financial hardship. Interest accrues on the loan during the forbearance period thus increasing the total cost of the loan. Capitalization of accrued and unpaid interest during this time increases both the overall balance owed and the size of monthly repayments required after the forbearance period has ended.

APPENDIX A (cont.)

GLOSSARY OF TERMS (cont.)

Grace Period	The time between leaving school and beginning repayment.
Graduated Repayment	Repayment installments are lower in the first few years of repayment and increase over time. The assumption underlying graduated repayments is that borrowers tend to have lower incomes after graduation, but higher incomes as they continue working.
Guarantor/Guarantee Agency	The insurer of the loan. Generally, a borrower only hears from the guarantor if his or her loan is in default.
Holder	Owner of the promissory note. The holder can be the lender. When a lender sells a loan, however, it gives up ownership of the promissory notes to the organization to which it sold the loans. The borrower becomes obligated to repay the loan to the new holder not the previous lender.
Income-Based Repayment Plan	Loan payments capped at 15% of the borrower's income that exceeds 150% of the federal poverty line for their family size.
Income-Contingent Repayment Plan	(Sometimes known as the Pay-As-You-Can Plan.) Bases annual repayment amounts on your Adjusted Gross Income (AGI) and the total amount of your Federal Direct Loans. As your income rises (or falls) each year, your repayment amounts will be adjusted. Your required monthly payment will not exceed 20 percent of your discretionary income.
Income-Sensitive Repayment Plan	Repayment is calibrated to the borrower's income, so that repayment installments fluctuate as the borrower's income rises and falls.
Interest	The cost of using money over a specified period of time. It is the fee a lender charges borrowers.
Interest Capitalization	Occurs when accrued interest is added to a loan's principal balance. Lenders may capitalize interest on a quarterly, annually or once at repayment. The loan becomes more expensive the more frequently accrued interest is capitalized.
Interest Rate	The relative cost of funds for a loan, usually calculated as a percentage of the loan's principal balance.
Lender	The individual or organization that provides the loan to the borrower.
LIBOR	London Inter-bank Offering Rate. It is an index similar to the US Treasury bill and Commercial Paper.
Loan Consolidation	Usually refers to a federal program that permits borrowers to combine their educational loans from government sources into one loan with one interest rate and several repayment plan options, such as graduated or income-sensitive.
Loan Servicer	An organization that acts on behalf of the lender/holder and conducts certain activities such as billing, processing deferment forms, processing requests for forbearance, sending out notices about the status of loans, and collecting delinquent accounts. Some holders act as their own servicers rather than hiring an outside servicer.
Prime Rate	This is the rate of interest that commercial banks charge their most creditworthy customers. Interest rates on private education loans are often based on the prime rate. A major influence on adjustments to the prime rate is federal monetary policy. When the Federal Reserve Board raises or lowers the discount rate (the interest rate charged on loans to member banks) lenders adjust their prime rate accordingly. This generally results in subsequent interest adjustments for loans with variable rates.
Principal	The actual loan amount borrowed.

APPENDIX A (cont.)

GLOSSARY OF TERMS (cont.)

Promissory Note	The legal contract between the borrower and the lender that requires the borrower to repay the loan and that stipulates its terms and conditions such as interest rate, number of years to repay, and deferment options.
Refinancing	Renegotiating the terms of your loan(s), usually resulting in a lower interest rate. The federal loan consolidation program is an example of refinancing.
Repayment Period	The amount of time permitted to repay the loan.
Repayment Schedule	When repayment installments on the loan are due and the amount of each installment.
Secondary Market	An organization that buys loans from lenders and other holders. By definition, a secondary market itself is a holder.
Simple Interest	Interest accrues only on the principle and not on previously accrued interest.
Treasury Bill Rate (T-bill rate)	The rate paid by the government on its short term borrowing. The rate is reset periodically through public auctions. The T-bill rate is based on the quarterly average of 13 weekly auctions.
Variable Interest	The interest rate fluctuates at intervals over the life of the loan by virtue of being tied to a monetary measure, such as Treasury bills or the prime rate.

**APPENDIX B Summary of Interest Rates
Stafford, PLUS, SLS and Consolidation Loans
July 1, 2011 to June 30, 2012**

Stafford Loans

91-day Treasury Bill: 0.06%

Loan Disbursed	Other Conditions	Interest Rate	Interest Rate Differential*	Interest Rate Cap
On or after July 1, 2006	Fixed rate; borrower in school, grace, deferment, repayment and forbearance.	6.80%	Not applicable	6.80%
On or after July 1, 1998	Variable rate; borrower in school, grace or deferment period.	1.76%	1.70%	8.25%
	Variable rate; borrower in other than in-school, grace or deferment period (e.g., repayment, forbearance)	2.36%	2.30%	8.25%
On or after July 1, 1995	Variable rate; borrower in school, grace or deferment period.	2.56%	2.50%	8.25%
	Variable rate; borrower in status other than in-school, grace or deferment period.	3.16%	3.10%	8.25%
On or after July 1, 1994	Variable rate; loan period includes or begins after July 1, 1994	3.16%	3.10%	8.25%
On or after Dec. 20, 1993	Variable rate; borrower had no outstanding balance on any Stafford loan when promissory note signed.	3.16%	3.10%	9.00%
On or after Oct. 1, 1992	Variable rate; borrower had no outstanding balance on any FFELP loan when promissory note signed.	3.16%	3.10%	9.00%
On or after July 23, 1992	Variable rate; 8/10% loan in 5 th year of repayment or later; borrower had outstanding FFELP loan when promissory note signed.	3.16%	3.10%	10.00%
	Variable rate; 8/10% loan not yet in 5 th year of repayment; eligible for variable rate when interest rate at 8%; borrower had outstanding FFELP loan when promissory note signed.	3.16%	3.10%	8.00%
	Variable rate; 8/10% loan in 5 th year of repayment or later; borrower had no outstanding FFELP loan when promissory note signed.	3.31%	3.25%	10.00%
	Fixed rate; 8/10% loan not yet in 5 th year of repayment; not eligible for variable rate; borrower had no outstanding FFELP loan when promissory note signed.	8.00%	Not applicable	Not applicable
	Variable rate; 9% fixed rate loan now eligible for variable rate.	3.16%	3.10%	9.00%
	Variable rate; 8% fixed rate loan now eligible for variable rate.	3.16%	3.10%	8.00%
	Variable rate; 7% fixed rate loan now eligible for variable rate.	3.16%	3.10%	7.00%
Before July 23, 1992	Variable rate; 8/10% loan in 5 th year of repayment or later	3.31%	3.25%	10.00%
	Fixed rate, 8/10% loan not yet in 5 th year of repayment; not eligible for variable rate.	8.00%	Not applicable	Not applicable
	Fixed rate loan made not eligible for variable interest rate.	9.00%	Not applicable	Not applicable
	Fixed rate loan not eligible for variable interest rate.	8.00%	Not applicable	Not applicable
	Fixed rate loan not eligible for variable interest rate.	7.00%	Not applicable	Not applicable

*amount added to 91-day Treasury bill to calculate borrower's interest rate

The above chart is provided courtesy of the National Student Loan Program.

**Summary of Interest Rates
Stafford, PLUS, SLS and Consolidation Loans
July 1, 2011 to June 30, 2012**

PLUS Loans

91-day T-Bill: 0.06%

1-Year Constant Maturity T-Yield: 2.57%

Loan Disbursed On or after	Other Conditions	Interest Rate	Interest Rate Differential*	Interest Rate Cap
July 1, 2006	Fixed rate (DL PLUS)	7.90%	Not applicable	8.50%
July 1, 2006	Fixed rate (FFELP)	8.50%	Not applicable	8.50%
July 1, 1998	Variable rate based on 91-day Treasury bill	3.16%	3.10%	9.00%
July 1, 1994	Variable rate based on 1-Yr Constant Maturity T-Yield	5.67%	3.10%	9.00%
Oct. 1, 1992	Variable rate based on 1-Yr Constant Maturity T-Yield	5.67%	3.10%	10.00%
July 1, 1987	Variable rate based on 1-Yr Constant Maturity T-Yield	5.82%	3.25%	12.00%
Nov. 1, 1982 to July 1, 1987	Fixed rate	12.00%	Not applicable	12.00%
Oct. 1, 1981 to Nov. 1, 1982	Fixed rate	14.00%	Not applicable	14.00%
Jan 1, 1981 to Oct. 1, 1981	Fixed rate	9.00%	Not applicable	9.00%

*amount added to 91-day Treasury bill or 1-Year Constant Maturity Treasury Yield to calculate borrower's interest rate

SLS (formerly ALAS) Loans

1-Year Constant Maturity T-Yield: 2.57%

Loan Disbursed On or after	Other Conditions	Interest Rate	Interest Rate Differential*	Interest Rate Cap
Oct. 1, 1992	Variable rate based on 1-Yr Constant Maturity T-Yield	5.67%	3.10%	11.00%
July 1, 1987	Variable rate based on 1-Yr Constant Maturity T-Yield	5.82%	3.25%	12.00%
Nov. 1, 1987 to July 1, 1987	Fixed rate	12.00%	Not applicable	Not applicable
Oct. 1, 1987 to Nov. 1, 1982	Fixed rate	14.00%	Not applicable	Not applicable
Jan. 1, 1981 to Oct. 1, 1981	Fixed rate	9.00%	Not applicable	Not applicable

*amount added to 91-day Treasury bill or 1-Year Constant Maturity Treasury Yield to calculate borrower's interest rate

Consolidation Loans

91-day T-Bill Rate: 0.06%

Loan Disbursed or Loan Application Received	Other Conditions	Interest Rate	Interest Rate Differential*	Interest Rate Cap
Loan application received Oct. 1, 1998 to July 1, 2003**	Fixed interest rate is weighted average of interest rate on loans consolidated rounded up to nearest 1/8%**	Weighted Average	Not applicable	8.25%
Loan application received Nov. 13, 1997 to Oct. 1, 1998**	Variable interest rate based on 91-day Treasury bill**	3.16%	3.10%	8.25%
**Loan application received October 1, 1998 to July 1, 2003 or Nov. 13, 1997 to Oct. 1, 1998 that includes HEAL Loans	Variable interest rate on HEAL portion of consolidation loan is based on the average of the bond equivalent rate of the 91-day Treasury bills auctioned for the quarter prior to July 1 (Note: 2 nd quarter 2009 91-day T-bill = 0.18%)	3.17%	3.00%	Not applicable
Loan disbursed July 1, 1994 to Nov. 13, 1997	Fixed interest rate is weighted average of interest rate on loans consolidated, rounded up to nearest whole percent	Weighted Average	Not applicable	Not applicable
Loan disbursed before July 1, 1994	Fixed interest rate is weighted average of interest rate on loans consolidated, rounded to nearest whole percent, minimum interest rate is 9.00%	Weighted Average	Not applicable	Not applicable

*amount added to 91-day Treasury bill to calculate borrower's interest rate

The above charts are provided courtesy of the National Student Loan Program

AAMC Monthly Payment Estimator for Medical School Borrowers

Stafford Loans with 6.8% annual interest

Loan Amount	Balance at Repayment	Standard		Graduated		Extended		Income-Based Repayment (IBR)		Income-Sensitive		Income-Contingent Repayment (ICR)	
		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)	Payment and Remaining Years
\$70,000	\$76,477	\$880	\$433	\$1,297	\$531		\$74,485	\$880 for 9.7 yrs.	\$433	\$1,297		\$61,163	\$1,168 for 5.3 years
\$80,000	\$88,276	\$1,016	\$500	\$1,497	\$613		\$89,029	\$1,016 for 10.2 yrs.	\$500	\$1,497		\$76,243	\$1,348 for 5.8 years
\$90,000	\$100,075	\$1,152	\$567	\$1,697	\$695		\$103,315	\$1,152 for 10.5 yrs.	\$567	\$1,697		\$91,718	\$1,528 for 6.2 years
\$100,000	\$111,875	\$1,287	\$634	\$1,897	\$776		\$117,744	\$1,287 for 10.8 yrs.	\$634	\$1,897		\$107,194	\$1,708 for 6.5 years
\$110,000	\$123,674	\$1,423	\$701	\$2,097	\$858		\$132,284	\$1,423 for 11.1 yrs.	\$701	\$2,097		\$122,669	\$1,888 for 6.8 years
\$120,000	\$135,473	\$1,559	\$768	\$2,297	\$940	\$410 to	\$146,906	\$1,559 for 11.3 yrs.	\$768	\$2,297	\$640 to	\$138,145	\$2,068 for 7.2 years
\$130,000	\$147,272	\$1,695	\$835	\$2,497	\$1,022	\$530	\$161,589	\$1,695 for 11.5 yrs.	\$835	\$2,497	\$810	\$153,620	\$2,248 for 7.3 years
\$140,000	\$159,071	\$1,831	\$901	\$2,697	\$1,104	per	\$176,321	\$1,831 for 11.7 yrs.	\$901	\$2,697	per	\$169,096	\$2,428 for 7.4 years
\$150,000	\$170,870	\$1,966	\$968	\$2,897	\$1,186	month	\$191,091	\$1,966 for 11.8 yrs.	\$968	\$2,897	month	\$184,571	\$2,609 for 7.6 years
\$155,000	\$176,770	\$2,034	\$1,002	\$2,997	\$1,227		\$198,488	\$2,034 for 11.9 yrs.	\$1,002	\$2,997		\$192,309	\$2,699 for 7.7 years
\$160,000	\$182,670	\$2,102	\$1,035	\$3,097	\$1,268		\$205,892	\$2,102 for 12.0 yrs.	\$1,035	\$3,097		\$200,047	\$2,789 for 7.8 years
\$162,000	\$185,029	\$2,129	\$1,048	\$3,137	\$1,284		\$208,855	\$2,129 for 12.0 yrs.	\$1,048	\$3,137		\$203,142	\$2,825 for 7.8 years
\$170,000	\$194,469	\$2,238	\$1,102	\$3,297	\$1,350		\$220,718	\$2,238 for 12.1 yrs.	\$1,102	\$3,297		\$215,522	\$2,969 for 7.8 years
\$180,000	\$206,268	\$2,374	\$1,169	\$3,497	\$1,432		\$235,565	\$2,374 for 12.3 yrs.	\$1,169	\$3,497		\$230,998	\$3,149 for 8.0 years
\$188,668	\$216,495	\$2,491	\$1,227	\$3,670	\$1,503		\$248,448	\$2,491 for 12.3 yrs.	\$1,227	\$3,670		\$244,412	\$3,172 to \$3,305 for 8.2 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 servicer(s) to discuss your exact balance and payment amounts. Bolded row of \$155,000 is the median medical school debt for the class of 2011. 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 four years in eight equal disbursements.

All values above are based on the following assumptions:

- Stafford loans (Federal or Direct) with a fixed interest rate of 6.8%. 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.

The IBR values above are based on the following assumptions:

- Family size of one in the 48 contiguous states.
- Monthly payment amounts increase gradually each year starting at an estimated \$410/month in year one, up to an estimated \$530/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 four 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 \$640/month in year one, up to an estimated \$810/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-year residency, borrower's starting salary is \$170,000 in 2010 dollars.

AAMC Monthly Payment Estimator for Medical School Borrowers

Direct PLUS Loans with 7.9% annual interest

Loan Amount	Balance at Repayment	Standard		Graduated		Extended		Income-Based Repayment (IBR)		Income-Sensitive		Income-Contingent Repayment (ICR)	
		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 Direct PLUS Portion of Total Balance Owed at Start of IBR	Years 1-4 (Interest Only)	Years 5-10	Years 1-4	Balance (After a 4-Year Residency)	Payment and Years Based on Direct PLUS Portion of Total Balance Owed at Start of ICR
\$5,000	\$6,045	\$73	\$40	\$106	\$46		\$7,245	\$74-\$92 for 12.1 yrs.	\$40	\$106		\$7,010	\$97 to \$106 for 7.8 yrs.
\$10,000	\$12,090	\$146	\$80	\$211	\$93	Pct. of	\$14,539	\$147-\$175 for 12.3 yrs.	\$80	\$211	Pct. of	\$14,107	\$188 to \$212 for 8.0 yrs.
\$15,000	\$18,135	\$219	\$119	\$317	\$139	\$410 to	\$21,876	\$221-\$258 for 12.3 yrs.	\$119	\$317	\$640 to	\$21,282	\$273 to \$335 for 8.2 yrs.
\$20,000	\$24,180	\$292	\$159	\$423	\$185	\$530	\$29,252	\$294-\$340 for 12.4 yrs.	\$159	\$423	\$810	\$28,528	\$351 to \$430 for 8.4 yrs.
\$25,000	\$30,226	\$365	\$199	\$528	\$231	per	\$36,665	\$368-\$422 for 12.5 yrs.	\$199	\$528	per	\$35,838	\$425 to \$532 for 8.7 yrs.
\$30,000	\$36,271	\$438	\$239	\$634	\$278	month*	\$44,110	\$441-\$503 for 12.6 yrs.	\$239	\$634	month*	\$43,206	\$494 to \$634 for 9.0 yrs.
\$38,000	\$45,943	\$555	\$302	\$803	\$352		\$56,083	\$559-\$632 for 12.7 yrs.	\$302	\$803		\$55,105	\$596 to \$813 for 9.5 yrs.
\$50,000	\$60,451	\$730	\$398	\$1,057	\$463		\$74,164	\$735-\$824 for 12.8 yrs.	\$398	\$1,057		\$73,170	\$732 to \$1,074 for 10.4 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 four years in eight equal disbursements. *(Values are rounded to the nearest dollar.)*

Grad PLUS loans in the former FFEL Program have an annual interest rate of 8.5% which will slightly increase all balance and monthly payment figures listed above. For example, the monthly payment amount for a \$10,000 loan with 8.5% annual interest and a standard 10-year repayment would be \$152 compared to the \$146 listed above. Please contact your servicer(s) to discuss your exact balance and payment amounts.

NOTE: Because Direct 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 one in the 48 contiguous states.
- Monthly payment amounts increase gradually each year starting at an estimated \$410/month in year one up to an estimated \$530/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 \$640/month in year one up to an estimated \$810/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-year residency, borrower's starting salary is \$170,000 in 2010 dollars.

All values above are based on the following assumptions:

- Direct PLUS loans with a fixed interest rate of 7.9%.
- 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 and, if taken, at the end of the post-enrollment deferment.

*** For both IBR and ICR, Direct PLUS loans are assumed to be in addition to \$162,000 of Stafford loans. Under IBR and ICR, the payment is applied proportionately between Stafford and Direct PLUS loans (based on the percentage of total owed for each loan type). For example, if the IBR payment amount is \$1,000 and the Direct PLUS balance is 10 percent of the total owed, 10 percent of the payment (or \$100) would be applied to the Direct PLUS balance.**

APPENDIX D LOAN SERVICERS

While some large lenders service their own loan portfolios, most lenders hire loan *servicers* to handle the myriad details associated with managing loan accounts. In most instances, your personal contacts with the holders of your loans will be through these national servicers. Deferments and forbearance will be obtained through them, bills will be sent by them, and their phone numbers are the ones you will need to have handy when problems arise. It is important to keep your servicer(s) up-to-date regarding changes in your address, name, or other pertinent information.

Some of the most commonly used servicers are:

Access Group Payment Operations

PO Box 822349
Philadelphia, PA 19182-2349
1-877-472-3227
www.accessgroup.org

ACS, Inc. - Education Services

Campus Products & Services (Correspondence)
P.O. Box 7060
Utica, NY 13504-7060
1-800-826-4470
<http://www.acs-education.com/>

American Student Assistance (ASA)

100 Cambridge ST, STE 1600
Boston, MA 02114
1-866-493-5563
www.amsa.com

Citibank (Correspondence)

Citibank (South Dakota), N.A.
PO Box 6191
Sioux Falls, SD 57117
1-800-967-2400
www.studentloan.com/health

US Department of Education Direct Loan Payment Center

PO Box 530260
Atlanta, GA 30353-0260
<http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>

Direct Loan Servicing Center

Borrower Services Department
PO Box 5609
Greenville, TX 75403-5609
1-800-848-0979

Direct Consolidation Loan Program

Loan Consolidation Center
PO Box 242800
Louisville, KY 40224-2800
1-800-557-7392
<http://loanconsolidation.ed.gov>

Discover Student Loans

PO Box 30947 (Correspondence)
Salt Lake City, UT 84130-0947
1-877-728-3030
Payments to Great Lakes Borrower Services
www.discoverstudentloans.com

Great Lakes Borrower Services

P.O. Box 7860 (Correspondence)
Madison, WI 53707
1-888-843-0004
www.theloanprogram.org

Great Lakes Borrower Services

P.O. Box 3059 (Payments)
Milwaukee, WI 53201-3059
1-800-236-4300

Dept. of ED/Great Lakes Payments

Dept. of ED/Great Lakes
PO Box 530229
Atlanta, GA 30353-0229

Nelnet/EFS Services, Inc. (Correspondence)

PO Box 2304
Indianapolis, IN 46206-2304

Nelnet/EFS Services, Inc. (Payments)

PO Box 826
Indianapolis, IN 46206-0826
1-800-635-1867 FAX 1-317-469-2147
Web site: www.nelnet.net/

FedLoan Servicing (PHEAA)

PO Box 69184 (Correspondence)
Harrisburg, PA 17106-9184
1-800-699-2908
www.myfedloan.org

Sallie Mae (for Correspondence)

PO Box 9500
Wilkes-Barre, PA 18773-9500
1-888-272-5543
<http://www.salliemae.com/>

Sallie Mae (for Payments)

PO Box 9532
Wilkes-Barre, PA 18773-9532

Wells Fargo (for Correspondence)

Education Financial Services
PO Box 5185
Sioux Falls, SD 57117-5185
1-800-658-3567
<http://www.wellsfargo.com>