Financial Considerations: Student Loans______

Here are frequently asked questions regarding deferment, forbearance, repayment and potential forgiveness for Interns, Residents and Fellows. The following information applies to Federal student loans which include Stafford (both subsidized and unsubsidized), GradPLUS, and Direct consolidation loans.

What are my student loan repayment options during residency?

Most Interns, Residents and Fellows do not choose to enter full repayment on student loans during their training. The two non-payment options are deferment and forbearance, and the most commonly used reduced payment options today are the Income-Based Repayment (IBR) and Pay As You Earn (PAYE). Eligible borrowers should consider utilizing the Pay As You Earn Program, which became available in December 2012. Eligibility criteria for these programs are discussed below.

What is the difference between a deferment and forbearance?

Deferment and forbearance are temporary payment postponement tools. If eligible, Interns, Residents and Fellows can receive periods of non-payment that do not count against the time that the borrower has to repay the loan. Deferment or forbearance may not be applied to a loan that is already in default.

- **Deferment** is a period, under specific conditions, wherein no payments are required from the borrower and the interest that accrues on the subsidized portion of the loans (eg Subsidized Stafford, HPSL and Perkins) is shouldered by the government. However, the borrower will still be responsible for the interest that accrues on the unsubsidized portion of the loans. The most common forms of deferment are:
  - In-school Deferment (enrolled for at least part-time study)
  - Unemployment Deferment
  - Economic Hardship Deferment
  - Graduate Fellowship Deferment

Unlike In-School deferment, Unemployment and Economic Hardship deferments can only be granted for a maximum of 36 months each.

Borrowers currently accepted or enrolled in full-time study at a graduate fellowship program may qualify for a Graduate Fellowship deferment, wherein the government continues to pay the interest accrued on subsidized loans for the duration of the fellowship study. However, those enrolled in a medical internship or residency program are not eligible for this deferment.

Deferment privileges vary by loan program so it is important to check the promissory note and exit interview materials prior to application. ***Additionally, because graduate students no longer have access to subsidized loans, deferment has less value than it had in past years when residents had higher percentages of subsidized loans.***

- **Forbearance** is a period wherein loan payments are postponed or reduced. A borrower may apply for annual or semi-annual forbearance depending on the loan servicer's policies. ***Loans in forbearance will continue to accrue interest that will capitalize at the end of the forbearance period.***

Financial Considerations: Student Loans______

You may apply for a Mandatory Medical Residency/Internship Forbearance with your loan servicer and, if proven eligible, forbearance will be approved on an annual basis. In order for the loans to remain in forbearance throughout the residency period and prevent capitalization, the borrower must apply for forbearance every year.

What reduced payment options are available to me during training?
The government has programs designed to provide borrowers lower payment options. These include Extended Repayment, Graduated Repayment, Income-Based Repayment, Income-Contingent Repayment, Pay As You Earn, and Interest-only.

Income-Based Repayment (IBR) and Pay As You Earn are typically the most beneficial for Interns, Residents and Fellows with federal student loan debt, and these programs are summarized below:

Income-Based Repayment (IBR) is a federal program that limits monthly loan payments to 15% of a borrower's discretionary income. To be eligible for IBR, a Partial Financial Hardship must exist, which means that 15% of the borrower's discretionary income, calculated on a monthly basis, is less than what the borrower would be required to pay on a 10-year standard repayment plan. This hardship exists for most trainees with federal student loan debt. Once a borrower enters IBR, he/she is permitted to stay in it for as many years as they wish, even if the hardship that qualified him/her does not exist in future years.

For the first three years in IBR, the government will pay any interest that accrues on their subsidized loans not covered by the IBR payment. In addition to the benefits of a reduced payment (usually between $0 and $500 per month for Residents), IBR is also a qualifying repayment plan for the Public Service Loan Forgiveness Program (discussed further below). Taxable loan forgiveness is granted through IBR after 25 years of repayment. However, payments in IBR are capped at the 10-year standard payment amount established when the borrower entered IBR. Because of this cap, many attending physicians would pay off their loans through IBR before the 25 year forgiveness period expires.

To apply for IBR, contact the servicer(s) of the student loans and request an application. The borrower will need to provide income documentation (typically the most recent tax return) along with the IBR application form.

Pay As You Earn (PAYE) is a new federal payment program implemented December 2012. It is similar to Income-Based Repayment, only it limits payments to 10% of a borrower's discretionary income instead of 15%, and taxable loan forgiveness would be granted after 20 years of repayment. The payment cap is also the borrower's 10-year standard repayment amount, and PAYE is also a qualifying repayment plan for the Public Service Loan Forgiveness Program. **Only borrowers who have NO OUTSTANDING BALANCE on a federal student loan issued prior to October 1st, 2007, and who took out a federal student loan ON OR AFTER October 1st, 2011, are eligible.**

The same application form is used for both Income-Based Repayment and Pay As You Earn.

Financial Considerations: Student Loans______

What loan forgiveness programs are available during, after and beyond the residency or fellowship?

- For those working in the public sector, the **Public Student Loan Forgiveness (PSLF)** program forgives the outstanding loan balance after the borrower makes 120 qualifying payments while employed by a non-profit organization, government agency, or another qualified employer. Loan balances forgiven under **PSLF are not taxable**. Qualifying loans include: Direct Subsidized Stafford Loans, First unsubsidized Stafford Loans, Direct PLUS Loans and Direct Consolidation Loans. Your residency and fellowship at University of Colorado qualify for this program, thus by entering IBR or PAYE you can count down this 120 payment clock during your training.

- **Colorado Health Services Corps** – This program provides an opportunity for Residents to serve in communities where primary health care professionals are in high demand. The Corps offers generous student loan repayment in exchange for service at clinical practice sites caring for Coloradans in greatest need. Further information can be found at http://coloradohealthservicecorps.org/

- **National Health Service Corps** - The program offers primary care providers (medical, dental, and mental and behavioral health) the opportunity to have their student loans repaid for serving communities in need. Further information can be found at https://nhsc.hrsa.gov/loanrepayment/index.html

How can I qualify for Public Service Loan Forgiveness (PSLF)?
The key requirements of the program are:

1) Federal loans must be part of the Federal Direct Loan program, so consolidation would be required for any FFELP loans to transfer them to Direct Loans.

2) Payments must be made under an eligible repayment plan. Income-Based Repayment (IBR) and for those eligible Pay As You Earn, are the most valuable programs for borrowers planning to benefit from PSLF.

3) The borrower must be employed at an eligible employer. Last year, the U.S. Department of Education created an Employment Certification for Public Service Loan Forgiveness process and form to aid borrowers in tracking progress towards making the 120 qualified payments in order to apply for PSLF. The form found in the link below includes all qualification details and instructions for submission:

   http://studentaid.ed.gov/students/attachments/siteresources/1845-0110%20PSLF%20ECF_Final_Expires%2020141130.pdf

When and why would I want to consider consolidating loans?
Residents can take advantage of the benefits resulting from loan consolidation, including: fixing the interest rate for variable rate loans, lowering the interest rate for Graduate Plus loans,

positioning for PSLF eligibility and extending the payment terms for certain loan types. FFEL, Perkins, and certain other types of loans are only eligible for PSLF if they are consolidated into a Direct loan. Potential costs and benefits are unique to each borrower so all decisions regarding consolidation must be approached strategically, preferably with the aid of expert advice.

What other considerations related to student loan legislation should I be aware of?

Earlier in 2014, President Obama released a budget proposal that targeted the IBR/PAYE and PSLF programs for potential changes in 2015. Included in the proposal was the suggestion of a cap on PSLF at $57,500, and availability of the PAYE program to all borrowers regardless of when their loans were disbursed. Interns, Residents and Fellows should stay abreast of any changes that may apply to them, and recalibrate their loan payment action plans appropriately.

Debt Management Resources

For more information on FIRST for Medical Education, the new debt management program from AAMC, visitwww.aamc.org/services/first/first_for_Residents/.

Where is the drop off site or mailing address if certification by the GME Office is required?

Submit the form to the GME Office located at:

Anschutz Medical Campus, Building 500, room N4223

Or mail to:

GRADUATE MEDICAL EDUCATION
ATTN: LOAN DEFERMENTS/FORBEARANCES
13001 E. 17th Pl., Building 500 C293
Aurora, CO 80045

In most cases, the forms are completed and sent out within 2 business days. Please provide a FAX number or a stamped, addressed envelope to the loan company.

GME office can only certify loan status for the current training agreement year. Some loan companies only require a certification letter. In this case, please submit the request via e-mail to gme@ucdenver.edu. Include the loan company's mailing address and/or FAX information in the request.

Please call the GME Office at 303-724-6031 with general questions. Contact the lender or servicer for questions specific to a loan or other deferment/forbearance options.