Taking Control of Your Educational Loans: Advice for Pediatric Nephrologists

An Educational Webinar sponsored by the Workforce and Member Education Committees

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Learning Objectives

At the conclusion of this learning activity, participants should be able to:

• Review types of federal loans and repayment programs
• Understand strategies to maximize PSLF for underpaid academic subspecialists
• Describe other eligible loan repayment programs such as NIH LRP and institutional loans
Disclosures

• I am not a professional or certified financial planner.
• This advice is intended for educational and entertainment purposes only.
Disclosures

• On the other hand- I am not trying to make money off of you.
• My goal is to close educational gaps and make potential barriers to attaining job satisfaction less intimidating.
• Illustrative examples used in this talk do not replace the potential benefit to you by taking some time to plug your own numbers into the various calculators to see what works best for your own unique situation!
A Case Study

• Joan has just graduated medical school and will be starting general pediatrics residency in July, and wants to be a pediatric nephrologist.
• $225,000 of educational debt from medical school
  ➢ Direct unsub, interest rates 5.3-6.08%
• Starting salary is $52,704 as PGY0, expected salary as new attending ~ $168K, married to non-physician
• She has systematically ignored her monthly loan balance emails for the past 4 years until now...she is told she needs to choose a repayment plan and start paying loans.
A. Forbearance during training - too much to think about now.
B. Choose standard repayment plan and pay it off ASAP
C. Pick an income-driven plan with hopes for PSLF
D. Refinance with private student loan servicer to fixed 3.5% interest
E. Not enough information to decide.
# Types of Federal Loans

<table>
<thead>
<tr>
<th>Name</th>
<th>Interest Rate</th>
<th>Subsidized</th>
<th>Max</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Perkins</td>
<td>5%*</td>
<td>Yes</td>
<td>$8,000 graduate</td>
<td>*Expired 9/30/17</td>
</tr>
<tr>
<td>Direct Stafford sub</td>
<td>4.5%*</td>
<td>Yes</td>
<td>$20,500 graduate</td>
<td>Financial need required *Phased out new borrowers after July 1, 2012</td>
</tr>
<tr>
<td>Direct unsub</td>
<td>6.079%</td>
<td>No</td>
<td>$40,500/yr ($224,000 total)</td>
<td>Available to all without need to prove financial hardship</td>
</tr>
<tr>
<td>Direct Grad PLUS</td>
<td>7.079%</td>
<td>No</td>
<td>No limit</td>
<td>Credit check required</td>
</tr>
<tr>
<td>Direct Consolidation</td>
<td>Weighted average of interest rates on existing loans</td>
<td>No</td>
<td>No limit</td>
<td>- not for everyone</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- might give access to new income-driven repayment options</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Careful- might erase progress to PSLF (clock starts over)</td>
</tr>
</tbody>
</table>
Loan Repayment Options

- PLSF
- NIH LRP
- IDR
- Loan Repayment Options
- Institution loan repayment
- State loan repayment
- Military
NIH Loan Repayment Programs

- Programs in: Clinical Research, Pediatric Research, Health Disparities Research, Disadvantaged Backgrounds
- Repay qualified educational debt of $50,000 per year for 2 year research commitment
- Eligibility: doctoral degree, research funded by nonprofit or govt entity, educational loan debt => 20% of annual salary, conduct research for at least 20 hours per week, US citizen/permanent resident
NIH LRP Dashboard

https://dashboard.lrp.nih.gov/app/#/
Federal Repayment Options

• Traditional Plans
  ➢ Standard – 10 years (default)
  ➢ Graduated – 10-30 years
  ➢ Extended – 25 years

• Income-Driven Plans – based on discretionary income
  ➢ Income-Based Repayment (IBR)
  ➢ Income-Contingent Repayment (ICR)
  ➢ Pay as you earn (PAYE)
  ➢ Revised Pay as You Earn (REPAYE)

• Not one-time binding decisions- can switch plans anytime if needs/wants change and if you still meet eligibility criteria
## Example - Residency

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$2200</td>
</tr>
<tr>
<td>Graduated</td>
<td>$1270</td>
</tr>
<tr>
<td>Extended</td>
<td>$1289</td>
</tr>
<tr>
<td>REPAYE</td>
<td>$308</td>
</tr>
<tr>
<td>PAYE</td>
<td>$308</td>
</tr>
<tr>
<td>IBR</td>
<td>$461</td>
</tr>
</tbody>
</table>

Assumptions: $200K loan, single resident with 6% loans and AGI of $55K
Beware of Negative Amortization

- Occurs when monthly payments not enough to cover the accruing interest
- Total amount owed continues to increase (can be substantial!)
- Example: AGI of $55K/year who picks PAYE and pays $308/month ($3,700 per year).
- Average $200,000 loan at 6%/year accrues $12,000 in interest payments alone per year, leaving over 2/3 of the interest unpaid and ballooning throughout training period!
# IDR Plans

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
</table>
| ICR  | Lesser of 20% of discretionary income OR amount required to pay loans off over 12 years multiplied by “income factor” | - First IDR plan (1993)  
- Mostly antiquated- relevant only if you have Parent PLUS loans (PLSF ineligible) but ICR-eligible if placed into Direct Consolidation Loan |
| IBR  | Monthly payments capped at 15% discretionary income;  
\( (AGI - 1.5 \times \text{poverty level}) \times 0.15 / 12 = IBR \) | - 2009, 1st eligible for PSLF  
- DIRECT, FFEL loans qualify (not PLUS)  
- Payments capped at 10y standard  
- Forgiveness after 25 years |
| PAYE | Monthly payments capped at 10% discretionary income;  
\( (AGI - 1.5 \times \text{poverty level}) \times 0.10 / 12 = PAYE \) | - Limited to DIRECT, no loans prior to Oct 1, 2007 AND new loan after Oct 1, 2011  
- Forgiveness after 20 years |
| REPAYE | Monthly payments capped at 10% discretionary income;  
\( (AGI - 1.5 \times \text{poverty level}) \times 0.10 / 12 = REPAYE \) | -newest plan (2015); no PFH required  
-payments are not capped  
-50% unpaid interest subsidy  
-spouse tax info; closes “MFS” loophole |
Important Definitions

- **Discretionary Income** – Adjusted Gross Income (AGI) minus 150% of the poverty line for your family size and state of residence.
  - Example: 3 person household KS – poverty line = $21,720
  - $148,815 - $32,580 = $116,235 x 0.10 /12 = $968/month

- **Partial Financial Hardship** – When your calculated standard 10 year repayment exceeds 10 or 15% of your discretionary income, eligible for IBR plans
  - Rule of thumb: AGI > loan balance by 130% to *not* have PFH
  - Must submit certification annually
Public Service Loan Forgiveness (PLSF)

- Federal govt forgives remaining balance on eligible Direct loans after 120 payments made after Oct 1, 2007 under certain repayment plans while employed full-time in certain public service jobs
- Qualifying plans key
- Submit Employer Certification Form (ECF) annually
- Amount forgiven is tax-free!
Eligible Loans

- Direct loans ONLY
  - Direct Stafford, subsidized, unsubsidized, consolidation
  - FEFL or Perkins don’t qualify
  - Parent PLUS loans don’t qualify
- 120 payments are calculated per loan, not months of repayment – so be careful with consolidation!
- If you don’t know your type of loans, can check on www.nsld.ed.gov
Back to Joan - fellowship

- Joan is now a 2nd year pediatric nephrology fellow.
- She has 4 years of PSLF-eligible payments under her belt.
- In meantime, got married and had a baby.
- Getting ready to start T32 fellowship to obtain an advanced degree through fellowship training and gets notified her loans are about to go into deferment.
What should Joan do next?
A. Accept deferral. No loans for 2 years – score!
B. Keep throwing money at the loans as able during deferral to get interest down as much as you can
C. Contact loan servicer to waive deferment at start of graduate school
D. Make extra payments during 1\textsuperscript{st} year of fellowship so you don’t miss out on the 2 years of payments during grad school
Qualifying Payments

- 120 on-time required monthly payments
- Extra payments or grace period payments don’t count
- Payments made during school don’t count!
- IMPORTANT: If you are on a T32 training grant during fellowship and get an advanced degree, government will automatically put your loans into deferment and payments don’t count
  ➢ Send certified letter to loan servicer requesting to stay on your repayment plan!
Qualifying Work

- Full-time work (at least 30 hours/week for at least 8 months/year)
  - 3 months FMLA still “count” as full-time work, so don’t lose out with maternity leave
- Must work for govt or non-profit, tax-exempt 501(c)(3) organization
- Most teaching hospitals qualify
- Must be an employee of the institution and identified as such on your W2
  - Carefully check if eligible if employed by physician group that contracts with hospital (1099 doesn’t count)
# Does PSLF Make Sense for ME?

<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>Direct Student Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100K</td>
<td>0 $15K $56K $105K $139K $173K $207K $240K $274K $308K $342K $375K $409K $443K $477K $510K $544K $578K $612K $645K $679K $713K $747K $780K</td>
</tr>
<tr>
<td>$150K</td>
<td>0 0 0 $44K $94K $144K $182K $215K $249K $283K $317K $350K $384K $418K $452K $485K $519K $553K $587K $620K $654K $688K $722K $755K</td>
</tr>
<tr>
<td>$175K</td>
<td>0 0 0 0 $8K $58K $108K $158K $203K $237K $270K $304K $338K $372K $405K $439K $473K $507K $540K $574K $608K $642K $675K $709K $743K</td>
</tr>
<tr>
<td>$200K</td>
<td>0 0 0 0 0 $22K $72K $122K $172K $222K $258K $292K $325K $359K $393K $427K $460K $494K $528K $562K $595K $629K $663K $697K $730K</td>
</tr>
<tr>
<td>$225K</td>
<td>0 0 0 0 0 0 $37K $87K $137K $186K $236K $279K $313K $347K $380K $414K $448K $482K $515K $549K $583K $617K $650K $684K $718K</td>
</tr>
<tr>
<td>$250K</td>
<td>0 0 0 0 0 0 0 $51K $101K $151K $201K $250K $300K $334K $368K $402K $435K $468K $503K $537K $570K $604K $638K $672K $705K</td>
</tr>
<tr>
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</tr>
<tr>
<td>$300K</td>
<td>0 0 0 0 0 0 0 0 0 $80K $129K $179K $229K $279K $329K $373K $410K $444K $478K $512K $545K $579K $613K $647K $680K</td>
</tr>
<tr>
<td>$325K</td>
<td>0 0 0 0 0 0 0 0 0 0 $2K $58K $108K $158K $208K $258K $308K $358K $408K $453K $487K $520K $554K $588K $622K $655K</td>
</tr>
<tr>
<td>$350K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 $8K $58K $108K $158K $208K $258K $308K $358K $408K $453K $487K $520K $554K $588K $622K $655K</td>
</tr>
<tr>
<td>$375K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 $23K $72K $122K $172K $222K $272K $322K $372K $422K $472K $508K $552K $596K $640K $684K</td>
</tr>
<tr>
<td>$400K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 $2K $58K $108K $158K $208K $258K $308K $358K $408K $453K $487K $520K $554K $588K $622K $655K</td>
</tr>
<tr>
<td>$425K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 $30K $80K $130K $180K $230K $280K $330K $379K $429K $479K $529K $569K $597K $630K</td>
</tr>
<tr>
<td>$450K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $30K $80K $130K $180K $230K $280K $330K $379K $429K $479K $529K $569K $597K $630K</td>
</tr>
<tr>
<td>$475K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $30K $80K $130K $180K $230K $280K $330K $379K $429K $479K $529K $569K $597K $630K</td>
</tr>
<tr>
<td>$500K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $44K $94K $144K $194K $244K $294K $344K $394K $444K $494K $544K $594K $644K</td>
</tr>
<tr>
<td>$525K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $8K $58K $108K $158K $208K $258K $308K $358K $408K $453K $487K $520K $554K</td>
</tr>
<tr>
<td>$550K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $28K $73K $123K $173K $223K $272K $322K $372K $422K $472K</td>
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<td>$575K</td>
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<tr>
<td>$600K</td>
<td>0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 $5K $51K $101K $151K $201K $251K $301K $351K $401K</td>
</tr>
</tbody>
</table>

Easy 5–step process!

1. **Look up your loans**
   - www.nslds.ed.gov
   - Verify on credit report – get one free annually at annualcreditreport.com

2. **Make loans qualify for PSLF**
   - If possible, consolidate non-eligible into Direct Consolidation Loan immediately after graduation (eliminate grace period)

3. **Choose repayment plan wisely**
   - REPAYE probably best
   - PAYE if married and want to file taxes separately
   - Avoid deferment at all costs!

4. **File taxes**
   - Start during MS4
   - PAYE if married and partner has low loan burden and makes equal to more of your income

5. **Make payments**
   - 120 payments on time
   - No pay-ahead status
   - Re-certify annually
Back to Joan – New Attending!

- Joan has finished up her fellowship and is getting ready to start her first “real” job.
- She is married to non-physician (makes ~ $58K) and now has 2 children.
- Currently on REPAYE but wondering if she should switch repayment plans – getting nervous about increase in monthly payments with her increased salary
Joan - Question 3

- Should Joan change to a new repayment plan, and if so, what?

A. Standard 10 year
B. IBR – Married filing separately
C. IBR – married filing jointly
D. REPAYE
E. Not enough information to tell
Assumptions: $225,000 educational debt (6.08% DIRECT unsub grad loan); uses NIH pay scale, AGI assuming standard deduction and 20% saved for retirement, average AGI of 143K [AAAP median salary asst professor $168K with 25K tax deferred] with 2.5% growth per year, and spouse making average salary of $50,944 with family size of 3/4 by years 6 and 9.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>STANDARD 10-YEAR</th>
<th>PAYE SINGLE or PAYE MFS</th>
<th>PAYE MFJ</th>
<th>REPAYE</th>
<th>REPAYE ANNUAL SUBSIDY</th>
<th>REPAYE EFFECTIVE INTEREST RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,507</td>
<td>$63</td>
<td>$488</td>
<td>$488</td>
<td>$3,912</td>
<td>4.34%</td>
</tr>
<tr>
<td>2</td>
<td>$2,507</td>
<td>$283</td>
<td>$718</td>
<td>$718</td>
<td>$2,531</td>
<td>4.96%</td>
</tr>
<tr>
<td>3</td>
<td>$2,507</td>
<td>$286</td>
<td>$732</td>
<td>$732</td>
<td>$2,447</td>
<td>4.99%</td>
</tr>
<tr>
<td>4</td>
<td>$2,507</td>
<td>$289</td>
<td>$747</td>
<td>$747</td>
<td>$2,361</td>
<td>5.03%</td>
</tr>
<tr>
<td>5</td>
<td>$2,507</td>
<td>$307</td>
<td>$776</td>
<td>$776</td>
<td>$2,185</td>
<td>5.11%</td>
</tr>
<tr>
<td>6</td>
<td>$2,507</td>
<td>$323</td>
<td>$803</td>
<td>$803</td>
<td>$2,022</td>
<td>5.18%</td>
</tr>
<tr>
<td>7</td>
<td>$2,507</td>
<td>$315</td>
<td>$808</td>
<td>$808</td>
<td>$1,994</td>
<td>5.19%</td>
</tr>
<tr>
<td>8</td>
<td>$2,507</td>
<td>$688</td>
<td>$1,193</td>
<td>$1,193</td>
<td>$0</td>
<td>6.08%</td>
</tr>
<tr>
<td>9</td>
<td>$2,507</td>
<td>$1,065</td>
<td>$1,583</td>
<td>$1,583</td>
<td>$0</td>
<td>6.08%</td>
</tr>
<tr>
<td>10</td>
<td>$2,507</td>
<td>$1,096</td>
<td>$1,626</td>
<td>$1,626</td>
<td>$0</td>
<td>6.08%</td>
</tr>
</tbody>
</table>
Maximizing PLSF

- IDR payment based on 10-15% of discretionary income → every dollar you reduce your AGI will save you 10-15 cents the next year in payment
  - Max out 401(k) 19.5K saves you $1950 in loan payments the next year!
  - If have 457(b) available and can max- can save $3900
- HSA account if high-deductible health plan
- FSA – medical and dependent care ($7750/yr)
- 1099 income can start solo-401(k)
  - 19.5K personal limit still exists- but “the business” can contribute 20% of its profits to your 401(k)
  - Moonlighting, locums, etc
Married Filing Separately (MFS)

- Helpful if PLSF candidate is low-income high-debt, married to high-income low-debt spouse
- Only useful for PAYE & IBR; loophole was closed in REPAYE
- Caveat: community property states: married couples equally share in all income/assets after they are wed (divide assets by 2)
  - AZ, CA, ID, LA, NE, NM, TX, WA, WI
  - If you make more than your spouse, lower payments!
- Have your CPA or tax prep software run both scenarios to see what works for you
Final thoughts – PLSF

• Probably makes sense for majority of pediatric nephrology trainees if they have substantial loan burden
  ➢ Long training period (6 years), relatively low salary, few private practice positions even available if you wanted them!
  ➢ Rule of thumb – if you borrow more than 2x annual attending salary, it’s probably worth it

• Run your own numbers and see what works for you! https://www.doctoredmoney.org/student-debt/loan-repayment-calculator
But wait! Isn’t PSLF going away?

- Ultimately – nobody knows for sure
- Investment depends on how cynical (or not) you are about your government
  - Hedge your bets- start a loan pay-off slush fund just in case
- Most existing borrowers are “grandfathered” in to programs and changes apply to new borrowers only
- Future (probably) murky for new borrowers:
  - Payment caps ($57,500 favored by Obama administration)
  - Dissolution of program (favored by Trump administration)
  - REPAYE-type loophole closures (MFS, payment cap applied to PAYE/IBR for new borrowers)
Federal Loans Post–COVID–19

- CARES act March 2020 automatically suspended federal student loans for 6 months (administrative forbearance)
  - 0% interest
  - March 13 - Sept 30, 2020
  - Still “counts” as a qualifying payment as long as you stay on IBR
  - Unpaid interest not capitalized
- June 2020 - FedLoans contract not renewed with DOE by end of 2020
  - Get your paperwork and proof in order NOW!
Loan Servicers Tips

- Lots of 3rd party companies that contact with federal govt (FedLoans required if PSLF)
- Don’t take phone rep word for it – frequently misinformed
- File Freedom of Information Act (www.foia.gov)
- Consider filing complaint with Consumer Finance Protection Bureau [https://www.consumerfinance.gov/complaint/](https://www.consumerfinance.gov/complaint/)
- Keep copies of your records of payment!
  - Banks must keep records for 7 years
When To Get Help?

- Review trusted resources and educate yourself
- Beware of conflicts of interests!
  - Financial advisors – commissions from insurance sales, AUM fees for actively managed investments
  - Student loan “professionals” – many have negotiated arrangements with student loan companies and get paid commissions on refinanced loans
- Fee-only financial advisor, flat-fee or hourly rate probably best if you’re nervous
- But really- if you can understand renal physiology- you can do this yourself!
Other Loan Repayment Programs

- Job-related repayments/stipends for loan repayment obtained as part of bonus package for new hires
- That’s great- unless you are in good position for PSLF!
  - If your employer is non-profit 501c3, these are considered taxable benefit if paid directly to your loan servicer on your behalf
  - You will pay taxes on money that will eventually be forgiven
  - $20K actually costs $5,600 in taxes in 28% bracket!
Suggested Resources – Web Calculators

- [https://www.nslds.ed.gov/](https://www.nslds.ed.gov/) - get your student debt snapshot from federal govt
- [https://www.doctoredmoney.org/student-debt/loan-repayment-calculator](https://www.doctoredmoney.org/student-debt/loan-repayment-calculator) – spreadsheet to calculate best income-driven plan for any set of current or future incomes, also can determine effect of filing taxes jointly or separately
- [https://www.studentloanplanner.com/free-student-loan-calculator/](https://www.studentloanplanner.com/free-student-loan-calculator/) helpful if want to compare to private financing
- [https://apps.aamc.org/first-gloc-web/](https://apps.aamc.org/first-gloc-web/) can import your loans from MSLDS (requires AAMC login)
- [https://studentaid.gov/app/pslfFlow.action#!/pslf/launch](https://studentaid.gov/app/pslfFlow.action#!/pslf/launch) PLSF help tool from govt
Suggested Resources - Books

- Medical Student Loans
  - Ben White, MD

- The White Coat Investor
  - James M. Dahle, MD

American Society of Pediatric Nephrology
Suggested Resources – Podcasts and Blogs

• White Coat Investor
• Physician on Fire
• Student Loan Planner
• AAMC Education Debt Manager: https://store.aamc.org/downloadable/download/sample/sample_id/324/
• Student Loan Hero
• SoMe – PLSF-Eligible physicians Facebook group, #PLSF on Twitter
Questions?

- Insert QR code here for evaluation
Extra Slides
Question 1

• An average medical student graduating today has about how much educational debt?

A. < $75,000
B. $75,000 - $150,000
C. $150,001 - $225,000
D. $225,001 - $300,000
E. > $300,000
Current Medical Student Debt

Current cost of medical school for Class of 2019:
- $240,222 (public)
- $330,180 (private)

AAMC, Medical Student Education Fact Sheet 2018
FIGURE 7: DEBT—EDUCATIONAL STATUS AND FELLOWSHIP TYPE

ASN Fellows Survey Report 2019
THANK YOU, STUDENT LOANS, FOR HELPING ME GET THROUGH COLLEGE.

I DON'T THINK I CAN EVER REPAY YOU.

MEDICAL SCHOOL
Question 2

• How much money did you “give up” to become a pediatric nephrologist?
  A. $ 150,000
  B. $ 300,000
  C. $ 500,000
  D. $ 750,000
A graduating 3rd year pediatrics resident would need to be given a lump sum payment of ~ $750,000 to make the decision to forego a career in general pediatrics and enter fellowship training in pediatric nephrology financially net neutral.
...But Do Not Despair!

- We still can feed our families, go on vacations, and retire comfortably
- Many existing loan repayment programs can be leveraged to make our careers more financially feasible
- Today is the first of (hopefully) many ASPN-sponsored financial literacy webinars for our society