DEBT MANAGEMENT STRATEGIES

Once your six-month grace period (automatically granted when you cease to be enrolled at least half-time) and any qualified loan deferments have run out and it is time to start your monthly repayment, you may find that your educational debt is unmanageable. Listed below are some debt management strategies that may be helpful in this situation. In general, debt management strategies involve an increase in the total amount of interest paid over the life of the loan.

1. **FORBEARANCE** -- is defined as a temporary adjustment of your repayment schedule for cases of financial hardship. Lenders/servicers are required to grant Forbearance to medical interns and residents upon request by the borrower to the lender or loan servicing agency; however, due to accrued and capitalized interest, you will owe more than originally borrowed. For this reason Forbearance should be avoided if at all possible and repayment begun as soon as you are able. It would be to your advantage to at least make interest payments during Forbearance. Forbearance is not reflected adversely on your credit report.

   *For students who have had a break in enrollment or a Leave of Absence and/or have exhausted the (6) six-month grace period on Stafford and/or Federal Direct loans or have consolidated loans and lost the grace period on those loans, special attention should be paid to your loan portfolio. If you subsequently enrolled and took out additional Stafford and/or Federal Direct loans, you are still entitled to a (6) six-month grace period on the subsequent loans. However, if you qualify and plan to apply for a deferment on the older loans while the newer loans are in the grace period, your lender may defer all your loans and you will lose out on the grace period of the newer loans. If you qualify for a deferment, you may want to request the older loans be granted Forbearance during the grace period of the newer loans. Contact your lender or loan servicer to understand their policies and to request Forbearance on your older loans for the grace period of any newer Stafford and/or Federal Direct loans if needed.*

2. **CONSOLIDATION** -- often done for reasons of convenience or to lower monthly payments by extending the repayment period. Allows borrowers to pay off loans with a new loan with one monthly payment offering a choice of repayment plans. Also, the Federal Loan Consolidation Program allows you to convert your FFELP Loans into Direct Loans so that the payment on these loans will be eligible for Public Service Loan Forgiveness. **NOTE: LOAN CONSOLIDATION is not the same as LOAN COMBINING which is requesting that the same type loans through the same lender/servicer be combined with regard to statements produced and/or minimum payments required. If this is your objective, you may want to ask your lender about an Administrative Consolidation.**

3. **REPAYMENT OPTIONS** -- options fall into these categories: Standard, Extended, Graduated, Income-Driven and Income-Sensitive. Standard is fixed payments over a ten-year period; easily the least expensive. Extended repayment increases the total years of repayment for up to 25 years. This option involves a substantial increase in total interest paid. Graduated repayment usually starts with lower payments that increase over time as income increases. Period of repayment remains 10 years without consolidation. This may be worth doing if cash flow is a concern in the early years of repayment. Income-Driven and Income-Sensitive plans refer to payments directly based on your current level of income which increase as income increases. For more information, contact your lender or loan servicer.

4. **REPAYMENT OPTIONS WITH CONSOLIDATION** -- All options listed in number 3 above are available through loan consolidation. Contact your lender or loan servicer for your options.

   *Some Consolidation Loans may offer repayment incentives to borrowers based on a number of conditions such as on-time payments. Ask the lender or loan servicer about any available repayment incentives currently being offered.*
Free Resources to Help You Manage Your Student Loans

These Web sites may prove helpful as you develop a repayment strategy during residency, fellowship and practice.

**www.NSLDS.ed.gov (National Student Loan Data System)**

Comprehensive listing of all Stafford, Grad PLUS, Federal Consolidation, and Perkins Loans including information on loan servicers for each loan (click the number to the left of each loan).

**www.AAMC.org/FIRST**

Highly recommended site, with multiple resources, including the Medloans Calculator. Comprehensive listing of loan repayment and forgiveness programs (look under Loan Repayment).

**www.StudentLoans.gov**

Online application, forms, and FAQs for the Direct Consolidation Loan program. Only site where you can consolidate your eligible federal student loans.

**www.FINAID.org**

A popular financial aid site, includes loan calculators (click on Loans, then Calculators).

**www.irs.gov/publications/p970**

Information on tax benefits for education, including the Student Loan Interest Deduction.

The Department of Education’s Student Financial Aid Web site (www.studentaid.ed.gov) may also help:

**www.studentaid.ed.gov/repay-loans/understand/plans**

Information on repayment plans for Stafford and Direct, Grad PLUS, and Federal Consolidation Loans. Includes detailed information on income-driven plans including Revised Pay As You Earn Repayment (REPAYE), Pay As You Earn Repayment (PAYE), Income-Based Repayment (IBR) and Income-Contingent Repayment complete with easy to use loan repayment calculators.

**www.studentaid.ed.gov/repay-loans/understand/servicers**

Information on loan servicers including contact information.

**www.studentaid.ed.gov/repay-loans/forgiveness-cancellation**

Information on the Public Service Loan Forgiveness (PSLF) program and the Employment Certification Form to confirm your employer is PSLF eligible.

**www.studentaid.ed.gov/repay-loans/deferment-forbearance**

Information on postponing payments through qualifying deferments.