Jefferson™

Resident Debt Management Newsletter

Volume 11, Number 1, Winter/Spring 2011

Contents

This newsletter is published by the University Office of Financial Aid at Thomas Jefferson University for the House Staff of the Jefferson Health system and selected affiliates. The purpose of this publication is to offer information about educational loan repayment, debt management and other related financial matters.

University Office of Student Financial Aid
Room G-1, College building
1025 Walnut Street
Philadelphia, PA 19107

Hours: Monday, Tuesday, Thursday, Friday, 8:30 am to 5:00 pm; Wednesday 8:30am to 12 noon
Phone: 215-955-2867
Email: financial.aid@jefferson.edu
Web: http://www.jefferson.edu/financialaid

Susan McFadden, *University Director, Financial Aid*; Thomas Stewart, *Assistant Director*; Brian Eicholtz, *Coordinator*; Melissa Cadet, *Coordinator*; Ryan Pauline, *Coordinator*; Jacqueline Roundtree, *Administrative Coordinator*; Kristin Mozzachio, *Financial Aid Assistant*

Where Are My Federal Student Loans?

If you borrowed Federal Stafford or Graduate PLUS loans during 2008–09 and 2009-10 academic years, you may be wondering who holds your loans. Due to major disruptions in the banking industry, many lenders could not afford to offer federal loans to students. Through a program called the Ensuring Continued Access to Student Loans Act (ECASLA) the Department of Education stepped in and infused capital to assist student loan lenders. After the loan was fully issued, the lender had the option to "hold" the loan or allow the Department of Education to purchase the loan back through the Loan Purchase Commitment program. This program grants the U.S. Secretary of Education the authority to purchase eligible Federal Family Education Loan Program (FFELP) loans from lenders. The Department of Education now owns about 82% of all loans issued in 2008-09 and 2009-10 and the loan now resides with one of five federal servicers. Borrowers may view the holders of all federal loans at the federal National Student Loan Database System site www.nslds.ed.gov.

The sale of any student loans does not affect the terms and conditions governing them. The borrower must follow all the terms and conditions in the Master Promissory Note (MPN) that they signed to take out the loan. The student may have other loans that are not included in the loan transfer that will continue to be serviced by his/her lender. The borrower may have multiple servicers. Borrowers will receive repayment information from the Department of Education Servicing Center for any loan(s) transferred to them.

The Five servicers handling repayment of PUT loans are ACS, Great Lakes, PHEAA, Nelnet and Sallie Mae. Borrowers will receive separate bills for their lender-owned and ED-owned loans. Payments for ED-owned loans must be made directly to the U.S. Department of the Treasury; therefore, servicers must bill separately to properly guide borrowers to the correct payment address. Each billing statement will clearly define the payment due and correct remittance address. It is critical for borrowers to remit payments to the correct location to ensure timely and accurate processing for their loans. The servicers strongly encourage borrowers to establish electronic ACH payments to ensure correct payment routing.

Borrowers do not have the option to request that their loans be combined and converted to a single servicer. Department of Education, however, does have a desire to keep borrowers' loans serviced by a single servicer. Servicers will work with Department of Education as much as possible in the best interest of borrowers and schools on this issue. The borrower may choose to consolidate loans with Department of Education (www.loanconsolidation.ed.gov) to a single loan with a single servicer. However, consolidation may result in loss of some benefits to the current loan. Again, to find the servicer of all federal loans, please go to www.nslds.ed.gov.

Economic Hardship Debt-to-Income Ratio Deferment No Longer Available

There were two changes to the Economic Hardship Deferment eligibility requirements effective July 1, 2009. The elimination of the "20/220" criterion and the criterion that allowed a borrower "working less than full time" but making less than an established threshold to receive the deferment.

The "20/220" criterion allowed a borrower to qualify for the deferment if the borrower was working full-time and had a Federal educations debt burden that equaled or exceeded 20 percent of the borrower's monthly income. Also, that income, minus the borrower's Federal Educational debt burden, had to be less than 220 percent of either the Federal minimum wage rate or the poverty guideline.

Previously a borrower could also qualify for the deferment if the borrower was working less than full-time and had a monthly income that did not exceed twice the Federal Minimum wage or poverty guideline. Also after deducting the borrower's Federal educational debt burden, the remaining amount of that income could not exceed the Federal Minimum wage rate or poverty guideline.

The New Income Based Repayment (IBR) plan, which went into effect July 1, 2009, is available for borrowers who are experiencing a 'partial financial hardship' and no longer qualify for the economic hardship deferment.

If borrowers cannot meet their repayment schedule and are not eligible for applicable deferments, a lender may grant a forbearance. This is a period of time during which you can either make payment slower than those previously scheduled – or delay repayment completely. During forbearance, interest accrues on both subsidized and unsubsidized federal student loans.

Good news for medical residents. Medical residents are entitled to forbearance on their federal Stafford and Grad PLUS loans during the duration of residency under the Mandatory Medical Residency Forbearance rule. Your lender is required to grant forbearance to borrowers in while in residency. Forbearance is a postponement of principal and interest. However, unpaid interest may capitalize.

Any borrower applying for forbearance must contact the appropriate loan servicer. Forbearance is granted for a period of up to 12 months at a time.

New Repayment Option Offered - Income Based Repayment

Starting July 1, 2009, Federal loan borrowers have a new repayment option. The Income Based Repayment plan caps monthly payments based on income. It targets borrowers who have a Partial Financial Hardship. A Partial Financial Hardship exists when the annual amount due on all of a borrower's eligible loans, as calculated under a standard 10-year repayment plan, exceeds 15% of "discretionary income."

Under the income based repayment program, such borrowers will never have to spend more than 15% of their discretionary income (an amount based on federal poverty guidelines) on student loan payments. Most who qualify for the program won't spend more than 10% of their income on student loans. Those whose income falls below 150% of the poverty level won't be required to make any payments. For example, a student with a federal debt of $30,000 and an income of $25,000, assuming all loans have a 6.8% fixed interest rate, monthly payment under the IBR program would be $110, vs. $345 under a standard 10-year repayment plan. As the borrower's income increases, so will the monthly payment, but the maximum payment will never exceed the monthly payment that would have been made under the 10-year standard repayment plan.

For some borrowers, the reduced payments won't cover the interest on their loans. In these cases, for those with subsidized Federal Stafford Loans, the government will pay the interest for the first three years of the program. For unsubsidized loans, the interest will be added to the balance, so borrowers could come out of the program with a larger balance.

However, any amount owed after 25 years of qualifying payments will be forgiven. IBR is available for all federal student loans, no matter when they were borrowed, but the loans must be in good standing to qualify. Most student loans are considered in default if the borrower has failed to make payments for nine months.

To enroll in the IBR program, contact your lender. For more information on the IBR program including an IBR calculator, go to www.ibrinfo.org.

Doing Well by Doing Good: Public Service Loan Forgiveness

If your career aspirations include work in the public service sector, you'll find that the reward is not only psychological – but possibly monetary as well.

This government program provides for the forgiveness – or cancellation- of the remaining balance (principal and interest) due on eligible Federal Direct Student Loans after the borrower has made 120 monthly payments to the Direct Loan Program while employed in qualifying public service jobs. Borrowers must have made 120 monthly payments after October 1, 2007 in the Direct Loan program and work in a 501(c)(3) non-profit organization.

Any non-defaulted loan made under the Direct Loan Program may be eligible. These include the Federal Direct Stafford Subsidized and Unsubsidized Loans, Federal Direct Grad PLUS loans, and Federal Direct Consolidation Loans. Direct Loans are loans that were borrowed directly from the Federal Government lending program. If your loan(s) were borrowed from lenders in the banking industry, these are loans in the FFEL Program and are not part of the Direct Loan Program. Borrowers with loans made under the FFEL Program may be eligible if they consolidate those loans into the Direct Loan Program. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

Eligible repayment plans are Standard Repayment, Income Contingent Repayment, Income-Based Repayment, or other Direct Loan repayment plans if certain conditions are met.

Public Service Jobs – Borrower must be employed full-time (at least 30 hours per week) in a qualifying public service job (a) during the period in which he or she made each of the 120 monthly payments, (b) at the time of application for loan forgiveness, and (c) at the time the remaining principal and interest are forgiven.

For more information on Public Service Forgiveness, go to http://studentaid.ed.gov/students/attachments/siteresources/LoanForgivenessv4.pdf or go to the Direct Loan Program webpage at www.ed.gov/DirectLoan/.

Update on Federal Consolidation

Federal Consolidation is the program under which you may combine all of your federal student loan debt into a single refinanced loan. Consolidation is extremely helpful if the borrower has many federal loans with different lenders. However, consolidation still provides positive benefits, even if all your federal debt is with only one lender.

Federal Stafford, Grad PLUS, and Perkins Loans may be consolidated. For a full list of eligible federal loan programs, go to www.loanconsolidation.ed.gov. Private and institutional educational loans, credit card and other consumer debt do not qualify for federal consolidation.

Consolidated loans carry a fixed interest rate based on the weighted average of all loans included in the consolidation package up to the nearest one-eighth of one percent.

Borrowers interested in consolidating federal loans should consider doing so after using any applicable grace period has been exhausted. Consolidation Loans are eligible for all federal repayment options available to non-consolidated loans. Federal forbearance, fellowship deferment, and other postponement features exist on Consolidation Loans.

Unfortunately, most lenders in the banking industry are not financially equipped to participate in this program and therefore the only lender offering Federal Consolidation is the Federal Direct Consolidation Loan program. For more information about the Federal Direct Consolidation Loan program, go to www.loanconsolidation.ed.gov.

Loan Repayment Programs – Available Options

If you are nearing the end of your residency and are interested in learning about Loan Repayment Programs, look no further than the American Association of Medical Colleges (AAMC) webpage. Here there is a listing of over 90 federal, state, and private loan forgiveness programs. To access this list, go to http://services.aamc.org/fed_loan_pub.

Closer to home, both Pennsylvania and Delaware have Loan Forgiveness Programs. The U.S. Army Reserve Medical Corps also has a competitive program. Below are key ingredients of the respective program and contact information if you are interested.

Pennsylvania Primary Care Loan Repayment Program

The PA Loan Repayment Program offers educational loan repayment to primary care practitioners who provide care in designated Health Professional Shortage Areas (HPSA) in Pennsylvania. Eligible primary care areas include Family Medicine, General Internal Medicine, General Pediatrics, and Obstetrics.

To be eligible, a practitioner must be a U.S. Citizen, a graduate of an accredited education program in the U.S., maintain a valid Pennsylvania license/certification, have completed an approved residency in Primary Care, and be employed full-time at a primary practice site approved by the Department of Health. Practitioners who have unserved obligations from other federal, state, or local repayment programs, or who are in default of any loan obligation are not eligible to apply.

Loan repayment is provided to practitioners in exchange for three (minimum) or four (maximum) years of service at an approved primary care practice site in a HPSA. Physicians may have up to $64,000 of educational loans repaid.

For more information, email LoanRepayment@state.pa.us or go to http://www.health.state.pa.us/PCO and click the Loan Repayment Program menu item on the left hand side of the screen.

DE Loan Repayment Program

The Delaware Loan Repayment Program is designed to recruit health professionals to areas of the state that have been identified as underserved by the Delaware Health Care Commission.

Currently, applications are being accepted in the following fields:

- Primary Care Physicians (MD and DO)
  - → Family Medicine
  - → Osteopathic Practitioners
  - → Internal Medicine
  - → Pediatrics
  - → Obstetrics & Gynecology
  - → General and Pediatric Psychiatry
- Medical Oncologists
- General Practice Dentists (DDS and DMD)

Through this program, the Higher Education Commission is authorized to make awards for repayment of outstanding government and commercial loans incurred during undergraduate or graduate education (i.e. principal, interest and related expenses for tuition and educational costs).

Practice sites include public or private non-profit settings and private practices (solo or group). Loan repayment funds may also be awarded to assist with loans for capital/equipment expenditures to establish a practice in an area of high need. Health professionals participating in this program must provide health services in a practice setting approved by the Delaware Health Care Commission.

Initial contracts may be signed for a minimum of two (2) years and maximum of three (3) years. Participants may re-apply for contract extensions in one-year increments, not to exceed a total of four (4) years of loan repayment. Extensions will be granted at the discretion of the Loan Repayment Committee and are contingent upon the availability of funds. Priority will be given to new applicants.

Advanced-degree Practitioners may be granted up to $70,000 total for a two (2) year commitment, or $105,000 for a three (3) year contract but the average award for advanced-degree practitioners range from $25,000 - $35,000 for a two year contract. All awards are paid on a graduated scale.

For more information please contact the program coordinator at (302) 739-2730 or go to http://dhss.delaware.gov/dhss/dhcc/slrp.html.

U.S. Army Reserve Medical Corps

You can earn more than $30,576 per year plus $250,000 in Educational Loan Repayment as an Army Reserve physician during your residency training.

The following specialties are eligible for financial assistance in the U.S. Army Reserve Medical Corps.

Anesthesiology	Ophthalmology
Dermatology	Orthopedic Surgery
Emergency Medicine	Otorhinolaryngology
Family Medicine	Preventive/Occu. Med.
General Surgery	Psychiatry
Internal Medicine	Thoracic Surgery (fellowship)
Neurosurgery	Urology
Obstetrics/Gynecology	

Military obligation is 38 days per year after training.

For more information, contact:

David. T. Ressler
U.S. Army Medical Department
(856) 414-1924; Cell (877) 228-1952
David.ressler@usarec.army.mil