



# Medical Student Loans Cheat Sheet 2023

Grace Period= 6 months  
*Except:* Consolidated Loans= 0 months  
Plus Loans= 6 month automatic deferment  
Perkins Loans= 9 months

**Subsidized:** No interest accrues while in school or deferment  
-Undergrad loans or Grad loans before 2012  
**Unsubsidized:** Interest accrues from Day 1

Index:  
Discretionary Income= Adjusted Gross Income- 150% of Poverty Line  
IBR: Income Based Repayment  
PAYE: Pay As You Earn  
REPAYE: Revised Pay As You Earn  
ICR: Income Contingent Repayment

## Repayment

Federal Loans

Private Loans

Standard Repayment

Loan Repayment in full with interest over 10 years= 120 payments.  
  
Pro's= Federal Protections  
Con's= High Interest Rates, Poor Service

Income Driven Repayment (IDR) \*Changes proposed

| IBR   | PAYE  | REPAYE   | ICR   |
|---|---|--|---|
| Monthly Payment: 15% of Discretionary Income  | Monthly Payment: 10% of Discretionary Income  | Monthly Payment: 10% of Discretionary Income   | Monthly Payment: Capped at the lesser of:   |
| Capped at < Standard Payment  | Capped at < Standard Payment  | No Cap to Payment  | 12-year standard payment with "income adjustment" OR 20% of Discretionary Income              |
| Can save money with Married Filing Separately Loophole  | Can save money with Married Filing Separately Loophole  | Can't use MFS Loophole   |   |
| Forgiven after 25 years   | Forgiven after 20 years   | Forgiven after 20 years: Undergrad<br>25 years: Grad loans   | Forgiven after 25 years   |
| Need to prove Partial Financial Hardship= Standard repayment would be >10-15% of discretionary income | Need to prove Partial Financial Hardship (PFH)= Standard repayment would be >10-15% of discretionary income | Can Switch back to IBR or PAYE before big income increase if PFH   | May be an option for those whose REPAYE payment is too high and they can't prove PFH.         |
|   | Capitalized interest Cap= <10% of original principal  | Unpaid Interest Subsidy= 1/2 interest left unpaid after monthly payment gets forgiven= Effective Interest Rate is much lower | Good for FFEL or Parent Plus loans to consolidate them and make them eligible for forgiveness |

Pro's:  
Freedom of choice- can work for private sector, don't have to work full time  
Lower interest rates generally- good for rapid payoff (compare with REPAYE effective rate)  
Can take job sponsored student loan repayment  
Better customer service  
  
Con's:  
No federal protections  
Not eligible for PSLF or long term forgiveness

Public Service Loan Forgiveness (PSLF)

120 Qualifying Payments  
+  
Qualifying Loans (Direct)  
+  
Qualifying Employer (501c3 or gvmt.)  
+  
Qualifying Repayment Plan  
+  
Full Time Work (FMLA OK)  
=  
Federal Tax Free Loan Forgiveness

\*Stay on top of yearly forms and payment count for 10 years.  
\*Reduce monthly payments as much as possible to maximize forgiveness.  
\*Reduce income by maxing pre-tax contributions.  
\*Temporary Expanded PSLF: Includes Graduated, extended, and consolidation repayment plans.- EXPIRED  
PSLF Waiver: Any payment (late partial, or paused) and any federal loan count until Oct 31st, 2022- Consolidate FFEL and Perkins to Direct loans)- EXPIRED

MFS (Married Filing Separately) Loophole: can lower payment by shielding high earning, low debt spouse's income from payment calculation by filing taxes separately.  
  
Caveat: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin: must divide income equally when filing; may be able to use paystubs. Talk to your accountant and loan servicer.

Capitalization

Definition: When accrued interest gets added to loan principal \*Changes starting July 2023  
Triggers:  
- ~~End of grace period/beginning of repayment~~  
- ~~End of forbearance/deferment~~  
- Change in repayment plans from IBR only, Refinance  
- ~~Loss of partial financial hardship in PAYE or IBR~~  
- Failure to submit IDR income certification on time?  
- ~~Loan default~~

## Terminology

|   |    |                                  |   |    |  |          |    |  |
|---|----|----------------------------------|---|----|--|----------|----|--|
| Deferment                               | vs | Forbearance                      | Delinquency                                     | vs | Default  | PSLF     | vs | Long Term Forgiveness  |
| No interest accrues on subsidized loans |    | Interest accrues and capitalizes | *Miss 1 payment<br>*Reported to credit agencies |    | *Miss more payments<br>*credit score shredded<br>*Penalties, wage garnishing | Tax Free |    | Tax Bomb   |
|   |    |                                  |   |    |  |          |    | • Tax Bomb with long term forgiveness on hold till Jan 1, 2026 |