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Sample Repayment: Important Information on Choosing a Repayment Plan

In general, federal student loans come due six months after graduation. Your loan servicer—the third party assigned by the U.S. Department of Education (your lender) to work with you in repayment—should contact you well in advance of your initial due date, providing a number of repayment options for you. One simple way to approach choosing a repayment plan is to find a plan where the required minimum payment is comfortable and affordable and then decide whether or not to pay more than the minimum required payment amount. Many borrowers post additional payments against their highest rate loan, which for many is the direct PLUS (aka Grad PLUS); this helps pay down the debt faster.

The following repayment estimates are from the AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC), available at adea.org/DLOC. DLOC is free for seven years for dental current students, residents, and fellows. We strongly encourage you to use DLOC to help you select the best repayment plan based on your own debt level, career plans, and repayment objectives.

Repayment Assumptions:

- $300,000 student loan debt ($162,000 direct unsubsidized, $138,000 direct PLUS)
- Fixed interest rates based on year borrowed for the graduation Class of 2024
- Loans held to term with no aggressive payments
- Single, family size of 1 for calculation of payments with the income plan SAVE
- $200,000 starting salary, $60,000 General Practice Residency (GPR) stipend in Example 2

Example 1—Directly into practice

Repayment Plan	Total Repayment Years	Monthly Payment	Total Repayment	PSLF Paid PSLF Forgiven	IDR Term Forgiveness
Standard	10	$3,580	$427,226	NA	NA
Extended	25	$2,094	$622,741	NA	NA
SAVE	25	$1,384 to $2,770	$586,091	$191,623 $312,523	$156,583

Example 2—One-year GPR then directly into practice

Repayment Plan	Total Repayment Years	Monthly Payment	Total Repayment	PSLF Paid PSLF Forgiven	IDR Term Forgiveness
Standard	10	$3,580	$427,226	NA	NA
Extended	25	$2,094	$622,741	NA	NA
SAVE	25	$218 to $2,669	$571,677	$178,135 $307,118	$157,194

Understanding the Numbers:

1. Standard and Extended plans are often called time-driven plans, as the payment calculation is based solely on the amount due at repayment (principal and any accrued and outstanding interest) spread out (amortized) evenly over either 120 or 300 payments (10 or 25 years, respectively). The payment calculation has nothing to do with income, marital or tax filing status, or family size.
2. Payments with IDR (Income Driven Repayment) plans like SAVE (Saving on a Valuable Education) are based on income and family size, and change annually, hence a payment range over the allowable term as shown on DLOC.
3. IDR Term Forgiveness represents the remaining balance at the end of the allowable repayment term if a borrower does not retire (pay in full) the balance by the end of the term. Term forgiveness is considered taxable income the year forgiven under current federal tax rules.
4. PSLF (Public Service Loan Forgiveness) Paid represents the amount paid out of pocket over a 10-year period. PSLF Forgiven represents the remaining balance after 10 years that is forgiven (assuming the borrower meets PSLF eligibility requirements) and is not subject to federal tax.
5. SAVE has the lowest calculated payment of all income plans and the government covers 100% of the difference between the minimum calculated payment with SAVE and the borrower's monthly interest due, whenever the latter is higher than the former. This means the borrower's balance will not grow when their calculated minimum payment does not cover the monthly interest due.
6. Note initial payment for borrower completing one-year GPR is quite low ($218) as it is based on a stipend of $60,000.

Important Reminders:

1. Watch for correspondence from your loan servicer prior to the expiration of your six-month window period when your loans come due. You will likely be directed to StudentAid.gov to apply for your repayment plan, with your information being forwarded to your loan servicer for processing.
2. Be sure your loan servicer is in your safe-sender list for email, so their correspondence does not go into your trash folder.
3. Borrowers may prepay at any time without penalty and may direct any overpayments toward their loan with the highest interest rate, as mentioned earlier.
4. In general, borrowers may switch repayment plans. Work with your loan servicer if you are interested in switching repayment plans.
5. No new applications for PAYE will be accepted as of July 1, 2024, as PAYE is being phased out, hence we are not showing PAYE repayment examples on this document. Borrowers currently in PAYE (for example, on predental loans) can remain in PAYE if they want, even after July 1, 2024, they will not be kicked out of that repayment plan.