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Financial

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Why Student  
Loans Are So  
Frustrating

Student Loan  
Programs and  
Forgiveness

Managing Your  
Student Loans

When Things  
Go Wrong

Extra Credit

***Navigating Federal Programs for  
Student Loan Forgiveness***

**How Are They  
Similar**

**Only So Much  
Worse**

**A Few Examples**

**Why Navigating Student Loans  
Are Like Filing Taxes...**

## 1. Why Are They Similar

- Incredibly complex and constantly changing rules overseen by organizations that are widely reviled
- The stakes are high
  - Cost of errors or missed opportunities can easily be 5 or 6 figures

## Only So Much Worse

- Substantive changes to student loans often only require changes in guidance from Department of Education whereas changes in US tax code require acts of Congress or court judgements
- While changes for both are often subject to additional litigation, US tax litigation is usually handled by a specialized court with large amounts of case law and precedent. Student loans...not so much

- Student loan servicers have actually managed to be worse than the IRS
  - 50% of calls to SL servicers are dropped
  - Average email response time is 6 weeks
  - Incorrect information is often provided
- Relative lack of oversight, regulatory history and legal precedents

## A Few Examples

- Changes to PSLF Employment Requirements
- COVID forbearance was extended 9 times
- Count adjustment deadline extensions
  - Initially it was the end of 2023, then April 30th 2024, then June 30th 2024
- Current litigation around SAVE

**Public Service  
Loan  
Forgiveness**

**Income Driven  
Repayment  
Forgiveness**

**Federal Loan  
Repayment  
Programs**

**The SAVE  
Program**

**Student Loan Programs and  
Forgiveness**

## Public Service Loan Forgiveness

- Change to employer qualification criteria
  - Directly employed vs Working at
  - This change is retroactive
- 120 qualifying payments to reach forgiveness
  - \$0 payments during COVID forbearance period count
  - Qualifying payments = minimum payment made while working  $\geq 30$  hours per week in aggregate at qualifying employer(s)
  - Does not need to be consecutive

- Must continue making payments until PSLF is actually granted
- Loan forgiveness under PSLF is not taxable as income
- Must be a qualifying loan type for forgiveness
  - FFEL and Perkins loans do not qualify but can if they are consolidated with direct loans in certain circumstances

## **IDR Forgiveness**

- 20-25 years of qualifying repayments depending on program
- After 2025, any amount forgiven under IDR will be taxable as income without additional action from Congress

### **Payments DO NOT qualify for PSLF or IDR forgiveness under:**

- Graduated Repayment
- Extended Graduated Repayment



## Federal Loan Repayment Program

- Standard Repayment Plan
  - Calculation: 10yr amortization
- Income Contingent Repayment
  - Calculation: Lesser of 20% of discretionary income, or 12yr amortization
  - 25 yr IDR forgiveness
  - New enrollments limited to Parent Plus consolidations
- Old Income Based Repayment (pre 7/1/2014 loans)
  - Calculation: 15% discretionary income OR 10 yr amortization
  - 25 yr IDR forgiveness
  - Interest capitalizes when switching between programs

- New Income Based Repayment (post 7/1/2014 loans)
  - Calculation: 10% discretionary income OR 10 yr amortization
  - 20 yr IDR forgiveness
  - Interest capitalizes when switching between programs
- PAYE
  - Calculation: 10% discretionary income
  - 20 yr IDR forgiveness
  - Interest does not capitalize
  - Closed to new enrollment
- REPAYE
  - If you were enrolled in REPAYE you were automatically enrolled in SAVE

## **The SAVE Program**

### **The best program for most**

- Currently in legal forbearance, pending appeal
- Decreases your calculated monthly payment
  - Better discretionary income calculation 225% vs 150% of poverty rate (2023 rate is \$14,580 for family of 1)
  - Graduate loan payments are 10% of discretionary income, but undergraduate loan payments are now just 5%

- If you make your payment, your loan balance cannot grow: 100% of unpaid interest is forgiven
- Allows for Married Filing Separately tax status
- IDR forgiveness: 20 years undergraduate loans only, 25 years if you have any graduate loans

**Double  
Check Their  
Numbers**

**Consolidation**

**Income  
Certification  
Options**

**PSLF  
Employment  
Verification**

**Optimizing Tax  
Filing Status**

**Managing Your Student Loans**

## Double Check Their Numbers

- Confirm they have the correct number of payments and correct number of qualifying PSLF payments
- Confirm the monthly payment they are billing you is correct
  - A 2023 Congressional audit found 10% of all payments were calculated incorrectly (4 million people)
- Make sure your interest was not incorrectly capitalized by your servicer

## Consolidation

- Consolidating your loans cannot decrease your interest rate, can only increase
- WILL RESET COUNT TO ZERO for IDR and PSLF
  - unless the recent "one time" count adjustment deadline is extended a third time
- Accrued interest will capitalize upon consolidation

- Consolidation takes 30-45 days
- Under current rules, only consider consolidation if attempting to qualify Parent Plus loans for PSLF or IDR forgiveness
- Double consolidation with Parent Plus - expires 06/30/2025



## PSLF Employment Verification

- Can do it retroactively
- 1 form - needs to be signed by "an authorized official of the organization"
- Not required every year but we believe it is best practice to do it annually
- The form can be downloaded from our forms library or from your student loan servicer

## Optimizing Tax Return Status

- With SAVE, PAYE and IBR your payment is calculated differently if you file taxes as Married Filing Separately
- This can reduce your student loan payment, but it may increase your taxes owed, so be sure to calculate the optimal combination



# When Things Go Wrong

Legal Updates

Escalating

Disclaimer

You Don't Have  
To Do It Alone

## Legal Updates

### SAVE

- As of 7/30/2024, SAVE is currently under legally mandated forbearance, pending appeal
- DOE has indicated they plan to appeal
- What should you do if you are in SAVE now?

### PSLF

- PSLF is enshrined in law vs SAVE which was created by executive action
- Much deeper precedent set
  - Prior to 2021, 7000 people forgiven
  - 2021 thru present, 946,000 people and \$69.2 billion in loans forgiven

## Escalating

- Nice is better
- Loan servicer unknown: find your servicer on your [www.studentaid.gov](http://www.studentaid.gov) account
- Escalate to loan holder's ombudsman
  - <https://freestudentloanadvice.org/ombudsman-list>
- Escalate to federal ombudsman
  - <https://studentaid.gov/feedback-center>

## Disclaimer

- This presentation is for broad informational purposes only and does not constitute financial, legal, or tax advice. Optimal strategies vary widely between individuals based on their specific circumstances including their loan size and composition, stage of training, taxable income, marital status, risk tolerance, and employment status, among other factors.

## You Don't Have To Do It Alone

- We offer a consultation with analysis for \$250
  - CAP members get \$50 discount by using promo code **CAP50**
- We offer a white glove student loan service or a stand alone analysis
- To request a consultation please go to [www.hippocratic.com/studentloans](http://www.hippocratic.com/studentloans) or use the QR code below



**CalHealth Cares**

**Steven M.  
Thompson**

**CA State Loan  
Repayment  
Program**

**Faculty Loan  
Repayment  
Program**

**Loan Reimbursement  
Programs**

## CalHealthCares

- Up to max \$300,000 in loans over 5 yrs
- To Qualify:
  - Maintain a patient caseload comprised of a minimum of 30% Medi-Cal beneficiaries
  - Have graduated within last 5 years
- Funding recently closed but is anticipated to reopen in future years

## Steven M. Thompson

- Application cycle open until 8/26/24
- Up to \$105,000, over 3 years, can be awarded 2x
- To Qualify:
  - Primary care only in a designated area
  - Must commit to providing full-time (40 hrs wk) primary care service in a CA HPSA for a minimum of 2 years at an approved facility



## CA State Loan Repayment Program

- Applications are due 9/16/2024
- Up to \$50,000 for a 2 yr initial award period that can be renewed
- To Qualify:
  - Primary care medical in a HPSA at a public or non-profit out-patient facility

## **Faculty Loan Repayment Program**

- Application cycle is May thru June annually
- Up to \$40,000 for a 2 year period
- To Qualify:
  - 2 year or more contract to serve as faculty at an eligible health professions school located in a state or US territory
  - Be from a disadvantage background based on environmental and economic factors



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