



ABOVE THE CANOPY



The Doctor's
Handbook on
**Student Loan
Forgiveness**



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Questions About Your Student Loans?

If you're unsure about how to manage your student loans, we are here to help. Feel free to reach out to us with specific questions. We're happy to point you in the right direction:

[Contact Us](#)



ABOVE THE CANOPY

About Us

Above The Canopy is dedicated to helping you make consistently smart financial decisions. We help educate you on the many financial and investment decisions you'll face. We love to work with....

- Physicians of all ages, including those in residency, attendings, and others approaching retirement
- Entrepreneurial people and families. This includes small business owners, business executives, attorneys, young professionals, and anyone else focused on defining their career and their life
- People seeking to reduce stress when it comes to financial decision making
- People seeking to simplify their life by organizing and improving their finances
- Small to mid sized businesses. I help build and manage 401(k), 403(b), profit sharing, and other retirement plans.

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Loan Forgiveness for Doctors

It's no secret that most doctors graduate from medical school with mountains of student loan debt. \$183,000 on average in fact, according to the AAMC. And while it's easy to assume that you'll make plenty of money to repay student loans once you become an attending physician, there are many forgiveness and repayment assistance options available to help.

This handbook is a comprehensive review of student loan forgiveness options available to doctors. Even if you expect to have the *capacity* to repay your loans, forgiveness and repayment assistance can help you erase your debt faster, with less pressure on your bank account.





Public Service Loan Forgiveness

Many doctors these days are pursuing public service loan forgiveness (PSLF). And for good reason. By working at a qualified employer for 10 years, PSLF forgives your federal loans – tax free. Only federal direct loans qualify for PSLF though. FFEL, Perkins, and private loans do not. For this reason, if you're considering PSLF make sure you consolidate any FFEL or Perkins loans right after you graduate, since federal consolidation loans do qualify for the program. Private loans do not qualify, and cannot be included in a consolidation loan. For those reasons they cannot be forgiven under PSLF.

The common misconception about PSLF is that it only applies to teachers or social workers. It's actually far wider reaching, and depends only on who you work for – not what type of work you do. You can qualify for PSLF by working full time (at least 30 hours per week) at:



- Any government organization at the federal, state, or local level
- Non-profit organizations that qualify for tax exempt treatment under 501(c)(3)
- Other types of non-profit organizations that provide certain types of public services

This means that your work in a tax-exempt hospital or medical school will qualify. The program requires you to make 120 qualifying monthly payments while working at a qualified employer in order to have your loans forgiven. After you've made the payments, you can submit an official PSLF application. At that point the Department of Education will verify your employment record, and you can receive forgiveness.

A qualifying payment is one made under an income driven repayment plan (REPAYE, PAYE, IBR, or ICR). The standard 10-year repayment option does technically qualify for PSLF, but after making 120 payments there wouldn't be anything left to forgive.

Fortunately, you don't need to work for ten years with your fingers crossed that your employment will qualify for forgiveness. You can certify your employment record along the way. To do so, you'll need to submit an Employment Certification Form with the DoE. The certification form does require the signature of someone familiar with your service record. And since tracking down the signatures of old bosses can be a major pain, best practices are to recertify your employment every few years - and whenever you change employers.

If you're interested in PSLF, run the numbers on the various income driven repayment options, then choose the one that requires the very least out of pocket over the next ten years. If your objective is to have your loans forgiven, there's no reason to pay off any more than you need to.



The Doctor's Loophole

The combination of PSLF and several of the income driven repayment options creates a nice “loophole” for doctors. By signing up for Pay As You Earn (PAYE) or Income Based Repayment (IBR), your monthly payments will be based on a percentage of your discretionary income. As a resident, that means your monthly payment will be a fraction of what it would be under the standard 10-year repayment plan.

The catch with PAYE and IBR is that there's **cap** on your monthly payments. Even though your income will jump significantly as an attending, your monthly payments will never be more than what they would have been under the standard 10-year repayment plan when you entered the program.

This creates a wonderful loophole for doctors whose work qualifies for PSLF. Even though you may be making hundreds of thousands of dollars as an attending physician, you'll never have to pay more than the 10-year repayment plan dictates. And since you have three or more years of low income & payments as a resident, you'll have a nice chunk of loans left after ten years.

In other words, if you start repaying your loans under the standard 10-year repayment plan, you'd pay them off in 10 years. Even if your work qualifies for PSLF, you wouldn't have anything left to forgive. By entering an income driven repayment plan while in residency and paying *less* than the standard 10-year repayment, you'll still have loans left after making 120 qualifying payments.



This tactic is known as a **loophole** because the income driven repayment options were meant to help low income earners. You could have some of your loans forgiven, even though you'll probably make \$200,000 or more for six or seven of the ten years of qualifying employment. The fact that high earning doctors with the *capacity* to repay their loans could have them forgiven does not sit well with some politicians.

For that reason, there's a chance that PSLF will be revised somehow in the coming years, either with a forgiveness maximum or some other change. With any hope current borrowers will be grandfathered into the existing rules, but there's no guarantee that would happen. The loophole is a great strategy for doctors right now. Just keep in mind that it could fall under the political microscope going forward.





Income Driven Forgiveness Programs

The most popular repayment strategy for doctors is to enter an income driven repayment plan after consolidating their federal loans and entering residency. These plans are immensely useful while you're a resident, even if you don't take advantage of the doctor's loophole.

The income driven repayment plans include forgiveness of any remaining loan balances after 20 or 25 years. It's not likely you'll use it though. After becoming an attending your discretionary income will be high enough to trigger the payment maximum under PAYE and IBR (the standard 10-year repayment amount). So, you'd make three or four years of minimal payments as a resident, and then no more than ten years of payments as an attending - nowhere near the 20 or 25 year forgiveness mark. With REPAYE you'll pay off your loans even faster, since there's no limit on monthly payments. Long story short, if you practice medicine there's a very low likelihood you'll have loans remaining after 20 or 25 years.



Forgiveness may apply if you make a career change and decide not to practice though. Keep in mind that any **forgiveness you receive under the income driven repayment plans is considered a taxable event** too, so be sure to plan accordingly.

Revised Pay As You Earn (REPAYE)

Forgiveness is granted after making 20 years worth of qualifying payments in the plan, IF all your student loans are for undergraduate study. This period is extended to 25 years if any of the loans being repaid are from undergraduate study.

Pay As You Earn (PAYE)

Outstanding federal loans are forgiven after making 20 years of qualifying payments.



**Forgiveness
under these
plans is a
taxable
event**



Income Based Repayment (IBR)

Outstanding federal loans are forgiven after making 20 years of qualifying payments if you're considered a new borrower, and 25 years if you're not. New borrowers under IBR are those who did not have an outstanding loan balance when they received a direct loan on or after July 1st, 2014.

Income Contingent Repayment (ICR)

Outstanding federal loans are forgiven after making 25 years of qualifying payments.

Perkins Loan Forgiveness

Perkins loans have special 5-year forgiveness opportunities for graduates working in certain professions. Sadly, this usually doesn't apply to doctors. It does apply, however, if you enter the military or are a nurse or medical technician who "assists, facilitates, or complements the work of physicians or other healthcare specialists." It also applies to firefighters, law enforcement officers, and teachers in the the event you make a career change.

Unlike forgiveness under other programs, Perkins forgiveness kicks in gradually over the course of five years:



- 15% of principal loan + interest after years 1 and 2
- 20% of principal loan + interest after years 3 and 4
- 30% of principal loan + interest after year 5

If you're interested in Perkins forgiveness, your best bet is to contact your school to verify that your work will qualify since your school will determine whether or not you're entitled to forgiveness. Every school operates a little differently in this regard, so my recommendation is to contact them early on in the process to make sure you're on the same page.





Loan Repayment Assistance Programs (LRAPs)

What applies to doctors far more frequently than income driven forgiveness are **loan repayment assistance programs, or LRAPs**. LRAPs are federal, state, or locally sponsored programs meant to help you repay your loans in exchange for specific service work. Basically, many areas around the country have a big shortage of health professionals - typically in the more rural areas. If you agree to work in one for a few years, there's a good chance you'll qualify for an LRAP. These shortage areas are specifically classified as "Health Professional Shortage Areas", or HPSAs. You can look them up [here](#).



The best part about LRAPs? You can use the grants to repay private loans. Private loans are pretty much excluded from all the flexible repayment and forgiveness options, but LRAPs are one of the very few governmental programs that qualify.

The taxability of LRAP grants depends on the program. Some programs are structured as forgivable loans, which are not taxable. Others will count as income, such as those offered through an employer or employer matching program. If you pursue an LRAP, make sure you account for the tax consequences of the grants and plan accordingly.

The main LRAPs available to doctors are sponsored nationally, by the military, or by individual states. Below you'll find a consolidated list of all the programs I could find, including short descriptions and links for more info. There are probably a few out there I missed, but this list is a good place to start. Many of these can be found on the AAMC's site [here](#), as well.





National & Military Loan Repayment Assistance Programs

NHSC Loan Repayment Program

Participants can receive up to \$50,000 to repay student loans in exchange for a two-year commitment to work at an approved NHSC site in a high-need, underserved area.

NHSC Students to Service Loan Repayment Program

Participants must work at NHSC approved sites in federally designated HPSAs of greatest need throughout the U.S. and its territories. Loan repayment assistance of \$120,000 is offered after 3 years of full time work after residency, or 6 years of half-time service.



NIH Loan Repayment Program

Participants can receive up to \$35,000 in repayment assistance per year, for a two year commitment to conduct research in certain areas.

U.S. Navy Financial Assistance Program

Join as a resident and get annual grant of \$45,000 on top of your residency income, PLUS a monthly stipend of \$2,179 for living expenses for up to four years. You're required to serve upon completing residency, which normally means 3-5 years of active duty service. But, you get to enter as an officer.

U.S. Navy Health Professions Loan Repayment Program

Maximum annual repayment is \$40,000 minus 25% for federal income taxes, which are taken out prior to lender repayment. Exact amount of repayment depends on area of service.





State Managed Loan Repayment Assistance Programs

Alabama

Alabama State Loan Repayment Assistance Program

Qualified candidates can be awarded up to \$50,000 per year for a two-year term by committing to employment in a HPSA. Awards are paid out by the Alabama Department of Public Health & employing public. Repayment amounts depend on the site's HPSA score.



Alaska

Supporting Healthcare Access through Loan Repayment

Participants can get up to a \$47,000 award per year in exchange for a minimum of two years in an HPSA. You can be licensed in any state, and awards require a 25% employer match in order to participate.

Arizona

The Primary Care Provider Loan Repayment Program

Requires work in certain primary care areas in a site located in a federally designated HPSA region. Participants can receive a two-year award of between \$32,000 and \$40,000 depending on the site's priority rank.

Rural Private Primary Care Provider Loan Repayment Program

Requires service at a private practice site in an underserved rural area. Two-year awards of between \$32,000 and \$40,000 are available depending on each site's priority rank.



Rural Private Primary Care Provider Loan Repayment Program

Requires service at a private practice site in an underserved rural area. Two-year awards of between \$32,000 and \$40,000 are available depending on each site's priority rank.

Arkansas

Community Match Rural Physician Recruitment Program

Open to physicians in residency or two years out who commit to work in an underserved rural area. For four years. Sponsored by the state and local communities for a combined loan repayment of \$80,000.

California

California State Loan Repayment Program

Maximum \$60,000 award for a two year commitment to work in medically underserved areas. Can be either public or non-profit work, and can be renewed for a third year for \$40,000, and fourth year for \$30,000.



Steven M. Thompson Physician Corps Loan Repayment

Open to allopathic or osteopathic physicians working in HPSAs who commit to three years of service. Program awards up to \$105,000.

Colorado

Colorado Health Service Corps

Open to doctors working in osteopathic or allopathic medicine in HPSAs in public or non-profit clinics. Awards of up to \$90,000 available for three-year terms at approved sites.

Delaware

Delaware State Loan Repayment Program

Awards of \$70,000 for mid-level practitioners and \$100,000 for advanced practitioners available for doctors working full time in underserved areas. Awards are limited each year, and the term is two years.



Georgia

The Physicians for Rural Areas Assistance Program

One-year commitment to work in a rural area with a population under 35,000 for \$25,000 in loan repayment. Can be extended for up to four years, with a maximum repayment of \$100,000.

Hawaii

Hawaii State Loan Repayment Program

Awards allopathic & osteopathic physicians a maximum of \$30,000 per year toward loan repayment in exchange for commitment to work at a site with a shortage of primary care medicine.

Idaho

Idaho State Loan Repayment Program

\$20,000 to \$25,000 in annual awards, depending on practice discipline for physicians working in an HPSA that's part of a non-profit or government entity. Two-year commitment. Repayment is a 1:1 match with employer.



Illinois

Illinois National Health Service Corps State Loan Repayment Program

Full time and half time commitments available to professionals working in a range of areas. Provides up to \$12,500 per year for two years, which can increase to \$20,000 per year for an additional two years.

Iowa

The Iowa Loan Repayment Program

Two-year grants to primary care physicians to be used to repay loans provided by the Primary Care Recruitment and Retention Endeavor (PRIMECARRE). Two-year commitment to work in a public or non-profit site in an HPSA. Awards of up to \$50,000 per year for full time / \$25,000 for part time physicians. Offered to 5-8 applicants per year.

Kansas

The Kansas State Loan Repayment Program

Two-year commitment to provide primary care services at an eligible site in an HPSA. Awards of up to \$25,000 per year to allopathic and osteopathic physicians.



Kentucky

Kentucky State Loan Repayment Program

Two-year commitment to work in an HPSA. Awards of up to \$35,000 per year, totaling \$70,000 for allopathic and osteopathic physicians.

Louisiana

Louisiana State Loan Repayment Program

Awards of up to \$30,000 per year for a three-year commitment to provide primary care to an HPSA. Must be licensed in Louisiana and work full-time. Term can be extended an additional two years.

Maryland

Maryland Loan Assistance Repayment Program for Physicians

Primary care physicians can be eligible for \$25,000 awards per year, in exchange for committing to work in a designated HPSA. Can be extended for an additional two years.



Massachusetts

The Massachusetts Community Health Center Primary Care Provider Loan Repayment Program

Awards available as forgivable loans of \$50,000, for a two-year commitment at an eligible health center. Open to primary care physicians.

The Massachusetts Loan Repayment Program

Provides loan repayment to professionals practicing in communities where there's a shortage of providers and barriers to access. Must be licensed to practice in Massachusetts and make a two-year commitment. Total award of \$50,000 over the two years.

Michigan

Michigan State Loan Repayment Program

Two-year commitment that begins October 1st. Must have eligible student debt, and award varies between \$25,000 and \$50,000 depending on the amount of total debt. Can be extended beyond two years.



Minnesota

Minnesota Rural Physician Loan Forgiveness Program

Available to primary care residents in various areas in their final year of residency. Must practice at least 30 hours per week for at least three years in rural areas. Awards of \$25,000 per year offered for a maximum of four years and \$100,000.

Minnesota Urban Physician Loan Forgiveness Program

Available to primary care residents in various areas in their final year of residency. Must practice at least 30 hours per week for at least three years in underserved urban communities. Awards of \$25,000 per year offered for a maximum of four years and \$100,000.

Minnesota State Loan Repayment Program

Awards up to \$20,000 per year for full time providers (and \$10,000 for part time providers) available to primary care professionals working in underserved communities. Two-year commitment to work in an HPSA required.



Missouri

Missouri Health Professional State Loan Repayment Program

Available to primary care physicians practicing in an HPSA. Two-year commitment in exchange for up to \$50,000 in repayment assistance.

The Primary Care Resource Initiative for Missouri

Forgivable loans given to students pursuing training that leads to becoming licensed in Missouri. Amount of funding depends on medical discipline and education status, and forgiveness is based on the number of loans received. Program caps at 5 years.

Montana

State Loan Repayment Program

Two-year commitment to work in a shortage area, in exchange for up to \$15,000 per year in repayment assistance.



Montana Rural Physician Incentive Program

Awards of up to \$100,000 available to physicians practicing in medically underserved areas. Awards dispersed in six-month increments, with the entire \$100,000 potentially available over a five-year period.

Nebraska

The Nebraska Loan Repayment Program.

Three-year commitment to work in a shortage area in exchange for a maximum benefit of \$40,000 per year. Repayment program is a local & state matching fund.

Nevada

The Nevada Health Service Corps

Available to physicians working in clinical practice in a community assigned by the NHSC. Two-year commitment, along with agreement to see patients regardless of their ability to pay. Award is based on what's available during that application cycle.



New Hampshire

The New Hampshire State Loan Repayment Program

Awards available for full-time commitments of three years, and part-time commitments of two. Must work in an HPSA. Awards for full-time work of up to \$75,000, and \$27,500 for part-time work. Can extend the program for an additional two years of loan repayment.

New Jersey

Primary Care Loan Redemption Program of New Jersey

Awards available for committing to work in primary care in an HPSA for 2-4 years. Must be in an accredited residency. Between 18% and 28% of qualifying loans are forgiven over the course of service, with a maximum amount of \$120,000.

New Mexico

New Mexico Loan Repayment Assistance Program

Two-year commitment to work in a designated shortage area in exchange for up to \$25,000 per year in loan repayment. Award can be increased to \$35,000 per year if site qualifies as an HPSA. Awards determined by outstanding debt on an individual basis. Must be licensed in New Mexico.



Medical Loan for Service Program

Awards of up to \$25,000 per year available to physicians with demonstrated financial needs, in exchange for working in a designated shortage area. Applicants must be residents of New Mexico for at least 12 months. Commitments are only for one year, but can be renewed up to four times.

New York

The Regents Physician Loan Forgiveness Award Program

Helps physicians practicing in New York with awards of up to \$10,000 per year, for two years. Applicants must be licensed in New York State and have completed residency in the last 5 years. Focus is primary care. Granted to 80 physicians. Applicants must agree to work in a specific area or work with an underserved population.

North Carolina

North Carolina Medical Society Foundation Community Practitioner Program

Awards available for five years of service in rural, economically distressed, and medically underserved areas of the state. Generally no more than half of education debt is offered, and the maximum award is \$70,000.



North Dakota

The North Dakota State Community Matching Physician Loan Repayment Program

Two-year commitment to practice full time in areas of need. Preference given to physicians who will practice in rural underserved areas and to University of North Dakota School of Medicine grads. Award is up to \$90,000 in loan repayment assistance.

North Dakota Federal State Loan Repayment Program

Applicants may receive up to \$50,000 / year for two years of service working in FQHCs. Requires a 1:1 match from the sponsoring organization of community.

Ohio

Ohio Physician Loan Repayment Program

Awards available of up to \$25,000 per year for a minimum commitment of two years. Additional third and fourth years may be available for \$35,000 per year in repayment assistance. Must work in HPSA.



Oklahoma

Oklahoma Medical Loan Repayment Program

Awards of up to \$160,000 available to licensed physicians who agree to establish a practice in an area approved by the state. Minimum two-year commitment.

Physician/Community Match Loan Program

Awards of up to \$40,000 available to physicians working in communities with less than 10,000 people. Must be graduate of accredited medical or osteopathic college. Minimum two-year commitment, funds are contributed 50% by the state and 50% by the community.

Oregon

Oregon Partnership State Loan Repayment

Matching program with employers in HPSAs. Two-year commitment. Sites decide how much assistance they'll contribute, which spans from \$5,000 to \$35,000. Funds are then matched by the state.



Pennsylvania

Primary Care Loan Repayment Program

Primary care practitioners like doctors and dentists can get up to \$100,000 awarded for working full-time for two years with medically underserved populations. Must be licensed in Pennsylvania and meet certain requirements.

Rhode Island

Health Professional Loan Repayment Program

Two-year commitment to work in underserved HPSAs, in exchange for repayment assistance. 8-10 awards available across several health professions, including primary care physicians.

South Dakota

Recruitment Assistance Program

Repayment assistance of up to \$172,172 is available in exchange for a three-year service commitment in a rural community. Must be licensed in South Dakota and have completed an accredited residency program.



Tennessee

Tennessee State Loan Repayment Program

Provides educational loan repayment to primary care practitioners working in an ambulatory public, non-profit, or private non-profit site in an HPSA. Two-year commitment. Recipients eligible for up to \$20,000 in repayment awards per year.

Texas

The Physician Education Loan Repayment Program

Repayment assistance available to qualifying physicians, with preference toward those working in shortage areas. Four-year commitment, and you must provide health care services to people enrolled in Medicaid and the Texas Children's Health Insurance Program (CHIP). Maximum award of \$160,000.

Children's Medicaid Loan Repayment Program

Loan repayment assistance available in exchange for service to kids on Medicaid. Must hold an unrestricted license from Texas Medical Board. Requires four-year commitment in exchange for up to \$140,000 in repayment assistance.



St. David's Foundation Public Health Corps Loan Repayment Program

\$30,000 grant for four years of service at an approved practice site.

Vermont

Vermont Educational Loan Program for Primary Care Practitioners

Repayment of educational debt from accredited college or university available in exchange for working in a service shortage area. Awards up to \$10,000 per year are available, and recipients must only work at least 20 hours per week to qualify.

Virginia

Federal Virginia State Loan Repayment Program

Up to \$25,000 per year in loan repayment available in return for two-year minimum commitment to work in designated HPSA. Subsequent extensions are available, with annual repayments of \$35,000.



Washington

Health Professional Loan Repayment Program

Up to \$35,000 per year in assistance available to health professionals providing primary care in rural or underserved shortage areas. Minimum two-year commitment, which may be extended on a year to year basis depending on available funds.

West Virginia

West Virginia State Loan Repayment

Offers repayment assistance in exchange for commitment to practice in rural underserved areas. Must be licensed in the state and practice within HPSA. \$40,000 in benefits available for a two-year commitment, although contracts may be extended for two additional years at \$25,000 per year.

Wisconsin

Health Professions Loan Assistance Program

Repayment assistance available to physicians working in HPSA site or within a rural community. Maximum award of \$50,000 if program qualifies for one, but not both programs (HPSA site, but not rural, for example). \$100,000 maximum award if program qualifies for both.



Wisconsin Primary Care and Psychiatric Shortage Grant

After completing graduate medical training in Wisconsin, primary care physicians and psychiatrists can receive awards by working in underserved areas. Minimum annual award is \$20,800 and you may not receive the award for more than three years.

Wyoming

Wyoming State Loan Repayment Program

Up to \$60,000 available for commitment to work in designated primary care HPSA. Federally backed and available for two physicians.

Health Professions Loan Assistance Program

Loan repayment assistance offered in exchange for commitment to work in underserved areas for at least three years. Grants of up to \$30,000 per year available. Must treat Medicare, Medicaid, and Kid Care eligible patients.





Life After Med School:

The New MD's Guide to Managing Student Loan Debt

If you're not sure where to start with your student loans, be sure to check out **Life After Med School: The New MD's Guide to Managing Student Loan Debt.**

The guide covers everything you need to know, including:

- When and how to consolidate
- When to consider private refinancing
- How to choose a repayment plan
- How to take advantage of the doctor's loophole
- An easy to use framework to minimize the cost of your loans

[Download Here](#)



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