Learning About Loans

• TODAY
  – Group session with general information about loan terms and conditions

• INDIVIDUAL FOLLOW-UP APPOINTMENTS
  – REQUIRED!!
  – Review of your individual financial aid award and loan debt
Today’s Agenda

• Loan Terms and Conditions
• What happens now?
  – Electronic Loan Signing
  – Refund Requests
  – Deferring Pre-HMS Loans
• What happens after Graduation?
  – Internship & Residency Options
  – Sample Loan Repayment Scenarios
• Financial Literacy
  – Preparing a Budget
  – Credit Reports
Types of Loans

- Subsidized vs. Unsubsidized
- Fixed Rate vs. Variable
- Federal, Institutional, Private
Subsidized Loans

- **Definition**: Interest does not accrue during in-school, grace, and periods of qualified deferment

- **Types of subsidized loans at HMS**
  - Federal Perkins Loan
  - HMS Revolving Loan
  - HMS Wolfson Loan
  - Loan for Disadvantaged Students
Unsubsidized Loans

• **Definition:** Interest begins to accrue at the time of disbursement

• Types of unsubsidized loans at HMS
  – Federal Direct Unsubsidized Loan
  – Federal Grad PLUS Loan
  – HUECU Private Loan
  – Other Private/Alternative Loans
Capitalization of Interest

- **Definition:** Unpaid accrued interest on unsubsidized loans is added to the original amount borrowed (i.e. principal balance), thereby increasing your total indebtedness.

- **Unsubsidized Direct Loan:**
  - First capitalization typically occurs six months after borrower leaves school
  - Borrowers receive quarterly interest statements
  - Borrowers have the option to pay interest prior to capitalization
Federal Direct Ford/Stafford Loan

- 2015-16 Interest Rate: fixed, 5.84%*
- Grace Period: 6 months
- Borrowing Limits:
  - Up to $47,167 (or cost of attendance minus other aid) for first year HMS students

*Interest rate for each year will be determined in that given year (T-bill + 3.6%), then fixed for life of loan. Cap: 9.5%
Federal Direct
Unsubsidized & PLUS Loans

• Loans will be managed by one of several servicers
• Servicer randomly selected:
  – Aspire Resources, Inc.
  – CornerStone
  – ESA/Edfinancial
  – FedLoan Servicing (PHEAA)
  – Granite State - GSMR
  – Great Lakes Educational Loan Services, Inc.
  – MOHELA
  – Nelnet
  – OSLA Servicing
  – Navient
  – VSAC Federal Loans

*Denotes current list of servicers as of 8/15
Federal Perkins Loan

- **Interest Rate:** fixed, 5%
- **Grace Period:** 9 months
- **Borrowing Limits:**
  - $5,000/year annual borrowing limit*
  - Subsidized

*Note: Annual amounts subject to change depending upon availability of funding*

** Program likely to cease after 15-16
Loan for Disadvantaged Students (LDS)

- Awarded to students from disadvantaged backgrounds as defined by the U.S. Department of Health and Human Services

- Interest Rate: fixed, 5%

- Grace Period: 12 months after graduation and through residency

- Borrowing Limits:
  - Currently replaces a portion of Unit Loan*
  - Subsidized

Note: Annual amounts subject to change depending upon availability of funding
<table>
<thead>
<tr>
<th>Harvard Loans</th>
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<tbody>
<tr>
<td><strong>HMS Revolving Loan</strong></td>
<td><strong>HMS Wolfson Loan</strong></td>
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<tr>
<td><strong>Interest Rate:</strong></td>
<td><strong>Interest Rate:</strong></td>
</tr>
<tr>
<td>fixed, 5%</td>
<td>prime +1%, fixed at 2</td>
</tr>
<tr>
<td><strong>Grace Period:</strong></td>
<td>months prior to end</td>
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<tr>
<td>6 months</td>
<td>of grace period, max</td>
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<tr>
<td><strong>Subsidized</strong></td>
<td>rate of 7%</td>
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<tr>
<td>(for all first year</td>
<td><strong>Grace Period:</strong></td>
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<tr>
<td>students)</td>
<td>up to 60 months</td>
</tr>
<tr>
<td></td>
<td>(during residency)</td>
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<td></td>
<td><strong>Subsidized</strong></td>
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• **Interest Rate:** Variable - Prime + 3.50% (w/o US cosigner)

• **Borrowing Limits:** Replaces federal portion of unit loan for non-US citizens/permanent residents ($27,300)

• **Available for four years of MD program**
  (case by case exceptions may be allowed)

• **Grace Period:** 6 months

• **Forbearance for up to four years of residency training**
Other Loans

- Federal DIRECT Grad PLUS
- Other Private Loans
- Terms and conditions to be discussed during individual appointments
Federal Direct Loans:

- Contact your individual loan servicer
  - Loan Servicer Contact Info on AAMC MedLoans Organizer Instruction Sheet
  
General Info:
1-800-4-FED-AID

Your account number will be assigned by the loan servicer. Prior to assignment, your account number is your social security number.

Federal Perkins, LDS and Harvard Loans:

- Harvard Student Loan Office
  - 1033 Mass Ave
  - Cambridge, MA 02138
  - 1-800-315-7192

Your account number is your Harvard University ID number.
National Student Loan Data System (NSLDS)

- U.S. Dept of Education’s central database for Direct Subsidized/Unsubsidized, Grad PLUS and Perkins loans
- Allows borrowers to track loan balances and identify servicers of loans
- Federal PIN required to access site: www.nslds.ed.gov
To Do List

- Loan Signing – Master Promissory Note(s)
- AAMC Financial Literacy 101 Budgeting Exercise
- AAMC Medloans Organizer and Calculator
- Individual Loan Counseling w/ HMS Financial Aid Officer
- Refund Requests
- Deferral of pre-HMS student loans
- HMS Scholarship Information Survey
Loan Signing

- Sign your award letter and return to the Financial Aid Office or sign online (if you haven’t already)

- Federal Direct Unsubsidized Loans Master Promissory Note
  https://studentloans.gov

- Federal Perkins, HMS Revolving, HMS Wolfson, LDS Promissory Notes
  https://www.ecsi.net/promk4

- Financial Aid Office will email you when the loan signing process is available to complete

See Financial Aid Newsletter for detailed instructions. You will need to have your FAFSA PIN number handy in order to complete this process.
Truth In Lending Act (TILA)

- US federal law designed to protect consumers in credit transactions
- Includes all non-Title IV educational loans (i.e., HMS institutional and federal LDS loans)
- Disclosure of terms in 3 statements (w/award letter and at prom note signing)
- Disclosure statement indicates maximum possible amount a student can borrow in loan program; this DOES NOT mean the amount you are borrowing and/or IS NOT necessarily the amount you are eligible to borrow!
AAMC Financial Literacy 101: Budgeting

- 3:31 Podcast: Budgeting for Medical Students
  - First Step in Financial Literacy Program
  - Log-in to store your information
- Complete online budget worksheet
- Financial Aid Office will do mid-year “check-in”
- Available at: www.aamc.org/first
• Organizer and Calculator is a secure and personalized, one-stop online loan management resource tool
• Available at www.aamc.org/first
• Enter your 2015-16 (and previous, if any) loan information in the Medloans Organizer and Calculator
• Allow 20-30 minutes to complete
• PRINT OUT summary of your loans (by academic year) and bring to your individual loan entrance interview session
Individual Loan Counseling

• REQUIRED!
• Review of your individual financial aid award and loan debt
  – *Keep a file with all your fin aid docs*
• Appointments begin August 17th
• Call or email Lillian Johnson to schedule an appointment: 432-0449 or financial_aid@hms.harvard.edu
Living Expense Refunds

- If your disbursed financial aid exceeds your total term bill charges, you are entitled to a refund of the credit balance.
- Complete Refund Request Form at individual loan counseling session.
- Sign up for direct deposit of your refund check!
- No refunds processed until individual loan counseling appointment has occurred and Master Promissory Note(s) is/are signed!
- Refunds will become available by end of September.
- NOTE: You must fill out a Refund Request Form for EACH semester!
  - Note: HST RAship can affect loan/term bill balance.
Pre-HMS Loans

• Contact your lender/loan servicer(s) to see if your loans feature an in-school deferment provision.

• Depending on the lender/loan servicer, you may need to file a written deferment request as often as every six months. Registrar’s Office confirms enrollment.

• If your prior loans have never entered active repayment, they typically will retain their full grace periods once you leave HMS. Check with your lender/loan servicer(s) for details.

• Prior Federal Direct Loans are automatically deferred once a new Direct Loan is processed.

• *We suggest that you call your Direct Loan Servicer to confirm.*
• Survey sent to all HMS students in September
• Enables HMS Financial Aid Office to assign HMS Scholarship awards to appropriate funds
• Completion Required of ALL students (not just those on scholarship)
• Office of Resource Development (ORD) may request bio info/thank you note from HMS scholarship recipients

Failure to comply with these requests may result in forfeiture of your HMS Scholarship!
Upcoming Years

• Apply for financial aid each year
  – Deadline: May 15th

• Institutional scholarship available for 4 years of MD program (if eligible)

• Institutional Scholarship limited to Tuition/Fees

• Unit Loan Level – Fixed at $33,050
  – Composition of loan package generally does not change, but based on available funding each year
After Graduation...

- Internship/Residency
  - Deferment
  - Forbearance

- Repayment Plans

- Sample Repayment Scenarios

- Loan Forgiveness Programs
Forbearance & Deferment

• **Forbearance:** An arrangement to postpone or reduce a borrower’s monthly payment amount for a limited and specified period, or to extend the repayment period. The borrower is charged interest during forbearance.

• Most educational loans are eligible for forbearance during part or all of internship & residency.

• **Deferment:** the temporary postponement of loan payments. During deferment interest does not accrue on subsidized loans.

• Perkins, Wolfson, and LDS loans offer deferment under certain conditions. If eligible, you may receive limited deferment during internship & residency training.
FEDERAL DIRECT LOANS

- **Standard**: fixed amount for 10 years
- **Extended**: fixed amount extended over 12 to 25 years
- **Graduated**: 10 years to repay, however, the payment amount increases gradually over the life of the loan
- **Income Contingent/Income Based/Pay As You Earn**: monthly payment is based on the borrower’s adjusted gross income. Maximum repayment period is 20 yrs (PAYE)/25 yrs (ICR/IBR)
  - Public Service Loan Forgiveness
Repayment Options

FEDERAL LDS
FEDERAL PERKINS
HMS REVOLVING
HMS WOLFSON

- Standard: fixed amount for 10 years

All educational loans can be prepaid without penalty.
Sample Repayment Profiles: Assumptions

• Interest Rate of 5.84% on all Direct Unsubsidized Loans after graduation*
• 4 yrs of internship/residency with interest capitalized
• Starting Salary of $140,000
• Standard 10 year repayment

* Interest rate subject to change for loans in future years
Sample Unit Loan Borrower

- **Total Borrowed:** $121,600
  - $89,200 Federal Direct Unsubsidized
  - $20,000 Federal Perkins
  - $12,400 HMS Revolving Loan

- **Repayment Begins July 2023**
  - Monthly Net Income: $8,167
  - Monthly Loan Payments: $1,813
  - $1.79 repaid for each $1 borrowed
Sample Ford/Stafford-Only Borrower

- Total Borrowed: $181,999
  - $181,999 Federal Direct Unsubsidized
- Repayment Begins July 2022
  - Monthly Net Income: $8,167
  - Monthly Loan Payments: $2,873
  - $1.89 repaid for each $1 borrowed
Loan Repayment Programs

• HMS Loan Forgiveness Programs
  – Presidential Scholars Public Service Initiative
  – Loan Repayment Assistance Program

• State/National Loan Repayment Programs

• Description of Programs Available at www.hms.harvard.edu/finaid

(Note: funding for HMS loan forgiveness programs currently available through 2016; it is uncertain whether these programs will be renewed beyond this time)
Financial Aid Resources on the Web

Financial Aid Information Page
www.finaid.org

College Board
www.collegeboard.org

US Department of Education
www.ed.gov

Loan Forgiveness Programs
www.hms.harvard.edu/finaid

IRS Publication 970 – Tax Benefits for Students
www.irs.gov

Association of American Medical Colleges
www.aamc.org/first
(Budget Worksheet and MedLoans Organizer)

Direct Loan Servicing On-Line
www.studentloans.gov

William D. Ford Federal Direct Loan
www.ed.gov/directloan

Department of Education Student Guide
www.studentaid.ed.gov/resources
HMS First Year Budget

Tuition and Fees: $57,485 or $59,875
Books and Supplies: $2,167 or $2,917
Room and Board: $17,485
Miscellaneous Expenses: $5,100
Transportation: $1,530
Loan Fees: $268

Total Budget:
Pathway: $84,785/$87,175
HST: $84,035/$86,425
QUESTIONS?