

# FIRST-YEAR LOAN COUNSELING and FINANCIAL LITERACY



Sarah Carey  
Financial Aid Officer

The top of the slide features a background image of several coins, likely US quarters, showing the profile of George Washington. The coins are slightly out of focus and overlap each other.

# 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

The background of the slide features a close-up, grayscale image of several coins, likely US quarters, showing the profile of George Washington and the word 'LIBERTY'.

# 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

# Harvard Loans

- HMS Revolving Loan
  - Interest Rate: fixed, 5%
  - Grace Period: 6 months
  - Subsidized (for all first year students)
- HMS Wolfson Loan
  - Interest Rate: prime +1%, fixed at 2 months prior to end of grace period, max rate of 7%
  - Grace Period: up to 60 months (during residency)
  - Subsidized

# HUECU Student Loan

- 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

The top of the slide features a close-up, grayscale image of several US coins, including quarters and pennies, overlapping each other. Below this image is a solid teal-colored rectangular area that contains the title and the list of loan types.

# Other Loans

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

# Customer Service

## 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](http://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](http://www.aamc.org/first)

# AAMC Medloans Organizer and Calculator

- Organizer and Calculator is a secure and personalized, one-stop online loan management resource tool
- Available at [www.aamc.org/first](http://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 17<sup>th</sup>
- Call or email Lillian Johnson to schedule an appointment: 432-0449 or [financial\\_aid@hms.harvard.edu](mailto: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.*

# HMS Restricted Fund Information Sheet

- 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

The top of the slide features a dark, textured background with a close-up, grayscale image of several US coins, including quarters and pennies, overlapping each other.

# 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.



# Repayment Options

## 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](http://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](http://www.finaid.org)

College Board

[www.collegeboard.org](http://www.collegeboard.org)

US Department of Education

[www.ed.gov](http://www.ed.gov)

Loan Forgiveness Programs

[www.hms.harvard.edu/finaid](http://www.hms.harvard.edu/finaid)

IRS Publication 970 – Tax  
Benefits for Students

[www.irs.gov](http://www.irs.gov)

Association of American Medical  
Colleges

[www.aamc.org/first](http://www.aamc.org/first)

*(Budget Worksheet and MedLoans  
Organizer)*

Direct Loan Servicing On-Line

[www.studentloans.gov](http://www.studentloans.gov)

William D. Ford Federal Direct  
Loan

[www.ed.gov/directloan](http://www.ed.gov/directloan)

Department of Education Student  
Guide

[www.studentaid.ed.gov/resources](http://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?