

# FIRST-YEAR LOAN COUNSELING



**Sarah Carey**  
**Financial Aid Officer**

# Today's Agenda

- Loan Terms and Conditions
- To Do List
- Upcoming Years
- What happens after Graduation?
- Questions
- Financial Literacy Session From Harvard University Employees Federal Credit Union (HUECU)
  - by Migdalia Gomez – *Financial Education Services Specialist*
    - Preparing a Budget
    - Money Management
    - Credit Reports

# Borrower Rights

- Borrower Rights I understand that I have a right to the following:
- written information on my loan obligations and information on my rights and responsibilities as a borrower
- a grace period and an explanation of what this means
- a disclosure statement, received before I begin to repay my loans, that includes information about interest
- rates, fees, the balance I owe, and the number of payments
- deferment of repayment or forbearance for certain defined periods, if I qualify and if I request deferment or forbearance
- prepayment of my loan in whole or in part any time without an early-repayment penalty
- a copy of my promissory note either before or at the time my loan is disbursed
- documentation that my loan(s) are paid in full

# Borrower Responsibilities

- Borrower Responsibilities I understand that I am responsible for:
- Completing exit counseling before I leave school or drop below half-time enrollment
- repaying my loan even if I do not complete my academic program, I am dissatisfied with the education I received, or I am unable to find employment after I graduate
- notifying my school and lender(s) if I change my address or change my name
- making monthly payments on my loan(s) after I leave school, unless I have a deferment or a forbearance
- notifying my lender(s) of anything that might alter my eligibility for an existing deferment or forbearance
- I UNDERSTAND THAT I AM RECEIVING LOANS THAT MUST BE REPAYED

# Consequences

## Delinquency

- Reported to credit bureaus
- Negatively affects credit



## Delinquency Default

## Default

- Entire balance due immediately
- Additional charges, fees, and collection costs
- Negatively affects credit
- Garnished wages and tax returns
- Withheld Social Security and disability benefits
- Responsible for legal fees and court costs
- Ineligible for additional student aid
- Other federal debt collection methods

# 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

- HMS Revolving Loan
- HMS Wolfson Loan
- Loan for Disadvantaged Students

# Harvard Loans

- **HMS Revolving Loan**
  - Interest Rate: fixed 5%
  - Grace Period: 6 months
  - Subsidized
- **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



# 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

# 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

# Federal Direct Unsubsidized Loan

- 2016-17 Interest Rate: fixed, 5.31%\*
- Grace Period: 6 months
- Borrowing Limits:
  - Up to \$47,167 (or cost of attendance minus other aid) for first year Pathways Students
  - Up to \$42,722 for first year HST 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 Graduate PLUS Loan

- 2016-17 Interest Rate: fixed, 6.31%\*
- Post enrollment deferment: 6 months
- Borrowing Limits:
  - – Cost of attendance minus other aid

\*Interest rate for each year will be determined in that given year (T-bill + 4.6%), then fixed for life of loan. Cap: 10.5%

# 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 (after grace period)
  - borrowers receive quarterly interest statements
  - borrowers have the option to pay interest prior to capitalization

# Federal Direct Unsubsidized & PLUS Loans

- Loans will be managed by one of several servicers
- Servicer randomly selected:
  - CornerStone
  - HESC/EdFinancial
  - FedLoan Servicing (PHEAA)
  - Granite State - GSMR
  - Great Lakes Educational Loan Services, Inc.
  - MOHELA
  - Nelnet
  - OSLA Servicing
  - Navient

*\*Denotes current list of servicers as of 8/16*

# 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 (\$26,950)
- 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

# Customer Service

## Federal Direct Loans:

- Contact your individual loan servicer
- Loan Servicer Contact Info on <https://studentloans.gov> and info is under the “managing repayment” tab.
- 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.

## 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
- FSA ID required to access site:

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

# Finding Other Loans

- Private and institutional loans – must contact the lender of these loans
- Find loan information on your credit report – [www.annualcreditreport.com](http://www.annualcreditreport.com)

# To Do List

- Title IV/Permission to Hold Form (Federal Loan)
- Loan Signing – Master Promissory Note(s)
- 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



## Student Federal Authorization Form Permission to Hold Title IV Funds (Federal Loans)

Full Name:

HUID:

Federal Title IV financial aid funds are restricted to payments of current period tuition, mandatory fees (registration, academic records and HUSHP basic health insurance), and room and board. However, students may authorize the use of these funds for other charges that do not fall under the umbrella of mandatory fees, such as HUSHP supplemental health insurance charges, library fees, course material or book charges, late fees, parking fees, dependent insurance, etc.

By completing this form, I am agreeing to allow Harvard Medical School to hold and/or apply Federal Title IV financial aid funds to the following: (please check box below)

I authorize Harvard Medical School to apply the credit balance from federal funds to other institutional charges such as **health insurance**, course materials, library charges, etc.

By checking the box above, I agree that in order for me to receive any credit balance created by federal financial aid funds, I must complete a "Refund Request Form" and submit this to the Financial Aid Office. I agree that it is my responsibility to pay my student bill by the stated deadlines or be subject to registration holds.

I understand that this authorization is voluntary and will remain valid until the completion of my program at the Harvard Medical School. I further acknowledge that I may rescind this authorization at any time by submitting a written request.

Student Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Please complete form, print out, sign, and return:

Financial Aid Office  
25 Shattuck Street RM 211  
Boston, MA 02115  
Fax: 617-432-0449

# MPN Loan Signing

- Sign your award online (if you haven't already)
- Complete online loan federal loan entrance counseling
- Complete online MPN loan signing for federal and institutional loans
- Instructions are online at: <http://hmsfinancialaid.weebly.com/>

# 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 Medloans Organizer and Calculator

- Organizer and Calculator is a secure and personalized, one-stop online loan management resource tool – Keep your loans here!
  - Financial Literacy through ASA's SALT Program
  - FIRST Fact Sheets
- Available at [www.aamc.org/first](http://www.aamc.org/first)
- Enter your 2016-17 (and previous, if any) loan information in the Medloans Organizer and Calculator
- Allow 20-30 minutes to complete
- PRINT OUT summary of your loans and bring to your individual loan entrance interview session

# Individual Loan Counseling

- REQUIRED!
- Review of your individual financial aid award and loan debt
- Appointments begin August 19<sup>th</sup>
- Schedule an appointment online at:  
<http://hmsfinancialaid.weebly.com/>



# 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!
- NOTE: You must fill out a Refund Request Form for EACH semester!

# 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 1st
- Institutional scholarship available for 4 years of MD program (if eligible)
- Institutional Scholarship limited to Tuition/Fees
- Unit Loan Level – Fixed at \$33,950
  - Composition of loan package generally does not change, but based on available funding each year

# Five Year Plans

For independent projects (e.g. Research, Enrichment ) Visit: [Scholars in Medicine](#)

You can apply for a fellowship to cover your living expenses. Common sources for fellowships include the Howard Hughes Medical Institute, the Sarnoff Fellowship in cardiovascular disease, Fulbright fellowships, Fogarty Fellowships and various Harvard Traveling Fellowships.

- ***M.D. students who are required by the Academic Societies Promotions and Review Board to enroll beyond their eighth semester to fulfill degree requirements may be assessed additional tuition over and above reduced tuition rate.***

# Costs to consider: Five-Year Program

- Additional Year UHS/Blue Cross-Blue Shield & Disability Insurance
- Additional Year of living expenses
- HMS Scholarship not available in fifth year
- As a loan borrower, you will incur further debt and the interest on your loan accrues for an additional year.

# Dual Degrees

## What is the financial aid process for completing a dual degree?

- MD-MBA – Year 4 – Apply for financial aid through HBS
- MD-MPP or MD-MPA – Year 4 – Apply for financial aid through HKS
- MD-MPH – Year 4 – Apply for financial aid at both HMS and T.H. Chan
- MD-MMSc – Apply through HMS Financial aid for all years

# 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.
- Wolfson and LDS loans offer deferment under certain conditions. If eligible, you may receive limited deferment during internship & residency training.

## Overview of Direct Loan and FFEL Program Repayment Plans

Repayment Plan	Monthly Payment and Time Frame
<a href="#">Standard Repayment Plan</a>	<p>Payments are a fixed amount. Up to 10 years (up to 30 years for Consolidation Loans).</p>
<a href="#">Graduated Repayment Plan</a>	<p>Payments are lower at first and then increase, usually every two years. Up to 10 years (up to 30 years for Consolidation Loans).</p>
<a href="#">Extended Repayment Plan</a>	<p>Payments may be fixed or graduated. Up to 25 years.</p>
<a href="#">Revised Pay As You Earn Repayment Plan (REPAYE)</a>	<p>Your monthly payments will be 10 percent of <i>discretionary income</i>.</p> <p>Payments are recalculated each year and are based on your updated income and family size.</p> <p>If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</p>
<a href="#">Pay As You Earn Repayment Plan (PAYE)</a>	<p>Your maximum monthly payments will be 10 percent of discretionary income.</p> <p>Payments are recalculated each year and are based on your updated income and family size.</p> <p>If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return. Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years.</p>
<a href="#">Income-Based Repayment Plan (IBR)</a>	<p>Your monthly payments will be 10 or 15 percent of discretionary income. Payments are recalculated each year and are based on your updated income and family size.</p>
<a href="#">Income-Contingent Repayment Plan (ICR)</a>	<p>Your monthly payment will be the lesser of</p> <p>20 percent of discretionary income, or the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.</p> <p>Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans.</p> <p>If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse. Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years.</p>

# Repayment Options

FEDERAL LDS

HMS REVOLVING

HMS WOLFSON

Standard: fixed amount for 10 years

**All educational loans can be prepaid  
without penalty.**

# Sample Repayment Profile: Assumptions

- Interest Rate of 5.31% on all Direct Unsubsidized Loans after graduation\*
- 4 yrs of internship/residency with interest capitalized
- Starting Salary of \$180,000
- Standard 10 year repayment

**\* Interest rate subject to change for loans in future years**

# Sample Repayment

- **Total Borrowed: \$135,800**
  - \$107,800 Federal Direct Unsubsidized
  - \$28,000 HMS Revolving Loan
- **Repayment Begins July 2024**
  - Estimated Monthly Gross Salary: \$15,000
  - Monthly Net Income: \$10,500
  - Monthly Loan Payments: \$1,976
  - Income After Payments: \$8,524

# Loan Repayment Programs

- HMS Loan Forgiveness Programs
  - **Presidential Scholars Public Service Initiative** – *Current funding available unknown at this time.*
  - **AbundanceFound Global Health Loan Forgiveness** – *Current funding available through 2020.*
- **State/National Loan Repayment Programs**
- Description of Programs Available at [www.hms.harvard.edu/finaid](http://www.hms.harvard.edu/finaid)
- **Public Service Loan Forgiveness** – Federal Loans

# Debt Management Strategy

## Send voluntary payments

- Separate from required payments
- Include instructions to apply the payment towards your highest interest rate loan
- If possible, pay the interest on your loans – before they capitalize.

# Alternatives to Borrowing

- Scholarships – outside sources
- <https://hms.harvard.edu/departments/financial-aid/outside-scholarships>
- Family Support
- Loan Forgiveness
- Create a budget



# How will you borrow?

- Do NOT borrow just because you are eligible

Borrow what you need, not what you want

Decline loans that exceed your need

# 1<sup>st</sup> Year Cost of Attendance

MD PATHWAYS STUDENTS		2016-17	HST STUDENTS		2016-17
STUDENT ACCOUNT CHARGES		\$62,361	STUDENT ACCOUNT CHARGES		\$62,361
TUITION		\$58,050	TUITION		\$58,050
MATRICULATION FEE		\$100	MATRICULATION FEE		\$100
UNIV HEALTH SERVICE FEE		\$1,088	UNIV HEALTH SERVICE FEE		\$1,088
BC/BS INSURANCE FEE*		\$2,630	BC/BS INSURANCE FEE*		\$2,630
DISABILITY INS. FEE		\$68	DISABILITY INS. FEE		\$68
ED MATERIALS FEE		\$425	ED MATERIALS FEE		\$425
LIVING EXPENSES		\$24,115	LIVING EXPENSES		\$20,975
RENT (HOUSING)		\$11,725	RENT (HOUSING)		\$10,545
FOOD		\$5,760	FOOD		\$4,800
MISC. EXPENSES (CLOTHING, RECREATION, LAUNDRY, UTILITIES, OTHER)		\$5,100	MISC. EXPENSES (CLOTHING, RECREATION, LAUNDRY, UTILITIES, OTHER)		\$4,250
LOCAL AND CLINICAL TRANSPORTATION		\$900	LOCAL AND CLINICAL TRANSPORTATION		\$750
LONG DISTANCE TRAVEL		\$630	LONG DISTANCE TRAVEL		\$630
		\$0			\$0
BOOKS & SUPPLIES		\$2,917	BOOKS & SUPPLIES		\$2,167
LOAN FEES		\$292	LOAN FEES		\$292
NATIONAL BOARD FEE		\$0	NATIONAL BOARD FEE		\$0
TOTALS (with BC/BS Insurance Fee)		\$89,685	TOTALS (with BC/BS Insurance Fee)		\$85,795
TOTALS (without BC/BS Insurance Fee)		\$87,055	TOTALS (without BC/BS Insurance Fee)		\$83,165

# Financial Aid Committee

- Looking for 3 new members
- Meet once a month
- Member while at HMS

# Questions?

- I hadn't originally indicated that I would be taking the HUHS insurance, but decided I did want it. Will this change my financial aid package?
- I would like to know how to request an increase in my loans later in the year if I need it.
- How does HST RA tuition scholarships work out in the financial aid package?