

# MASTER'S FINANCIAL LITERACY WORKSHOP



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# Today's Agenda

- Types of Loans
- Capitalization of Interest
- Forbearance and Deferment
- Federal Loan Service Providers
- National Student Loan Data System
- Useful Links
- Questions
- Financial Literacy Session From Harvard University Employees Federal Credit Union (HUECU)
  - by Migdalia Gomez – *Financial Education Services Specialist*

# Types of Loans

- Federal Direct Unsubsidized Stafford
- Federal Direct GRAD Plus
- Private (eg: Wells Fargo, Discover, Citizens, etc.)

# Federal Direct Unsubsidized Loan

- 2016-17 Interest Rate: fixed, 5.31%\*
- Grace Period: 6 months
- Origination fee up to 09/30/16: 1.068%  
effective 10/01/16: 1.069%

# Federal Direct Graduate PLUS Loan

- 2016-17 Interest Rate: fixed, 6.31%\*
- Post enrollment deferment available upon request: 6 months
- Origination fee – up to 09/30/16: 4.272%  
Effective 10/01/16: 4.276%

# Private Loans

The terms and conditions of these loans are established by the loan provider. Interest rates, grace period, and other fees all vary. Please see the website below for a link with private loan providers' information. International students can borrow a private loan if they have a U.S. cosigner.

<http://sfs.harvard.edu/2016-2017-private-loan-programs>

MPOWER Loan – available to international students:

<http://www.mpowerfinancing.com/>

# 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 Stafford Direct and GRAD Plus Loans:
  - 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

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



# 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

# Federal Loan Service Providers

- 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 8/2016*

## National Student Loan Data System (NSLDS)

- U.S. Dept of Education's central database for Direct Subsidized/Unsubsidized, and Grad PLUS loans
- Allows borrowers to track loan balances and identifies servicers of loans

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

# Useful Links

Great webpage with information on the different repayment plans and repayment calculator:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans>

Types:

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan
- Revised Pay As You Earn Repayment Plan (REPAYE)
- Pay As You Earn Repayment Plan (PAYE)
- Income-Based Repayment Plan (IBR)
- Income-Contingent Repayment Plan (ICR)
- Income-Sensitive Repayment Plan

## Useful Links - 2

- For information about public service loan forgiveness:  
<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation>
- Find loan information on your credit report –  
[www.annualcreditreport.com](http://www.annualcreditreport.com)
- Loan Servicer Contact Information at:  
<https://studentloans.gov>

# Questions?

- I would like to know how to request an increase in my loans later in the year if I need it.
- How soon can I get a refund of the excess funds I've borrowed to help with living expenses?

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