



NAVIGATING LOANS 101

TOPICS TO COVER

- Types of student loans
- Consolidating & refinancing student loans
- Repayment scenarios
- Repayment strategies
- Public Service Loan Forgiveness (PSLF)
- Student loans & your credit score
- Student loans & buying a house
- Resources

PRIVATE LOANS



INSTITUTIONAL & STATE LOANS

FEDERAL LOANS

GRADUATE STUDENT LOANS:

- DIRECT UNSUBSIDIZED LOAN
- DIRECT GRADPLUS LOAN

IF YOU HAVE A PRIOR DEBT, YOU MAY ALSO HAVE:

- DIRECT SUBSIDIZED LOANS
- PERKINS LOANS
- FFEL LOANS (PRIOR TO 2010-2011 AY)

*DIRECT LOANS ARE SOMETIMES REFERRED TO AS STAFFORD LOANS

**YOUR PARENTS MAY ALSO HAVE BORROWED DIRECT PARENT PLUS LOANS FOR YOUR UNDERGRADUATE DEGREE



INTEREST ACCRUAL

$$\frac{\textit{Current principal} \times \textit{interest rate}}{365.25}$$

$$\frac{\$33,000 \times .0608}{365.25} = \$5.49/\text{day}, \\ \$167/\text{month} \\ \text{or } \$2,005/\text{year}$$

WHY IS MY BALANCE GOING UP?

NEGATIVE AMORTIZATION

Monthly
payment

\$125

Accruing
interest

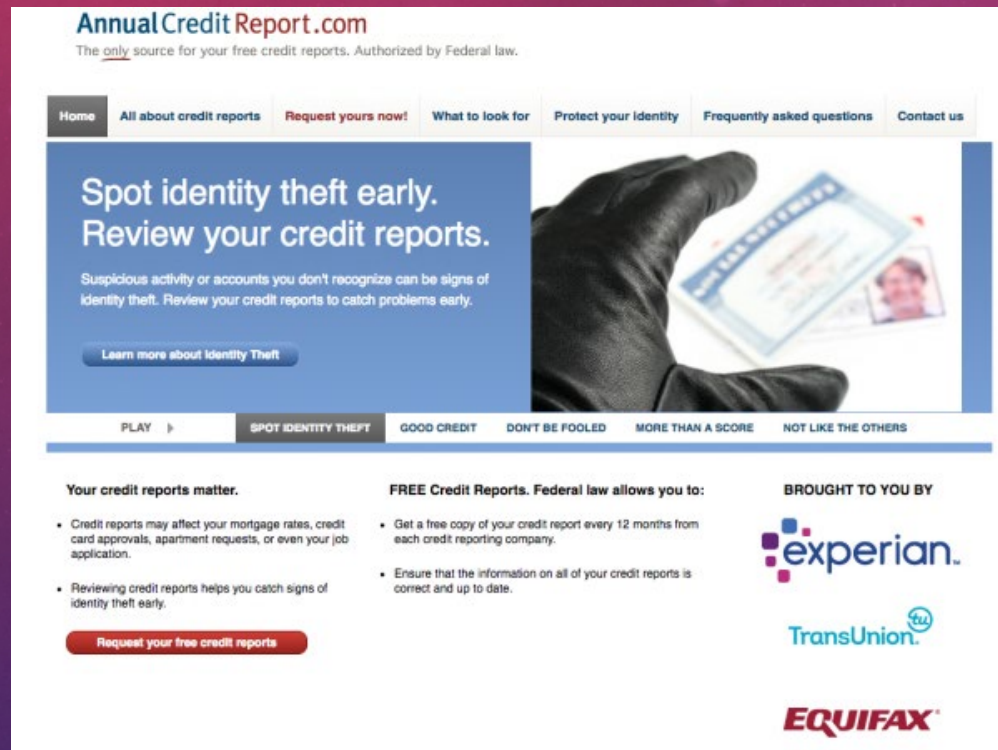
\$325

Unpaid
interest

\$200

IDENTIFYING YOUR DEBT & YOUR LOAN SERVICERS

Private, State, Institutional:
annualcreditreport.com



The screenshot shows the homepage of AnnualCreditReport.com. At the top, it says "AnnualCreditReport.com" and "The only source for your free credit reports. Authorized by Federal law." Below this is a navigation menu with links like "Home", "All about credit reports", "Request yours now!", "What to look for", "Protect your identity", "Frequently asked questions", and "Contact us". The main banner features the text "Spot identity theft early. Review your credit reports." and "Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early." Below the banner is a "Learn more about Identity Theft" button. A secondary navigation bar includes "PLAY", "SPOT IDENTITY THEFT", "GOOD CREDIT", "DONT BE FOOLED", "MORE THAN A SCORE", and "NOT LIKE THE OTHERS". The bottom section is titled "Your credit reports matter." and "FREE Credit Reports. Federal law allows you to:" followed by two bullet points: "Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application." and "Reviewing credit reports helps you catch signs of identity theft early." There is a "Request your free credit reports" button. On the right, it says "BROUGHT TO YOU BY" and lists "experian.", "TransUnion.", and "EQUIFAX".

Federal:
nslds.ed.gov



The screenshot shows the homepage of nslds.ed.gov. At the top, it says "START HERE GO FURTHER FEDERAL STUDENT AID" and "National Student Loan Data System (NSLDS) For Students". Below this is a navigation menu with links like "Financial Aid Review", "Exit Counseling", "Glossary of Terms", "Borrower Information", "FAQs", and "Contact Us". The main banner features the text "NSLDS STUDENT ACCESS National Student Loan Data System" and "Retrieve Your Loan Information". Below this is a paragraph: "The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Credit Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV aid can access and inquire about their Title IV loans and/or grant data." There are two buttons: "Financial Aid Review" and "Exit Counseling". A red arrow points to the "Financial Aid Review" button. At the bottom, it says "FOIA | Privacy | Security | Notices" and "Whitehouse.gov | USA.gov | ED.gov".

List of all federal loan servicers

LOAN CONSOLIDATION & REFINANCING

Consolidation

- Loan consolidation typically refers to combining your different federal loans and is a **free process**
- Combining all your federal loans in to one loan, with one interest rate and one monthly payment
- This does not result in a better or worse interest rate, but may be helpful if you have multiple loan servicers (this typically only happens if you borrowed federal loans prior to 2012, or have a Perkins loan)
- This process keeps the benefits associated with federal loans, such as income-driven repayment and PSLF

Refinancing

- Refinancing typically refers to changing your loan servicer in exchange for a **lower interest rate** on your loans
- Refinancing also can combine all your loans in to one loan, with one interest rate and one monthly payment
 - However, you can combine different types of loan with refinancing (federal and private, private loans from different lenders, etc.)
- You should end up with a lower interest rate when you refinance, but make sure you understand if there are any fees being charged or the repayment term has been extended
- If you refinance federal loans, you lose access to the benefits associated with federal loans

REPAYMENT SCENARIO 1

Original Loan (\$50,000)	Refinanced Loan
Interest Rate: 5%	Interest Rate: 3%
Monthly Payment: \$530	Monthly Payment: \$480
Total Paid over 10 years: \$64,000	Total Paid over 10 years: \$60,000

REPAYMENT SCENARIO 2

Original Loan (\$50,000)	Income-Driven Repayment w/ PSLF (Income = \$65,000)
Interest Rate: 5%	Interest Rate: 5%
Monthly Payment: \$530	Monthly Payment: \$386 (up to \$530 over 10 years)
Total Paid over 10 years: \$64,000	Total Paid over 10 years: \$58,000, with \$9,000 forgiven

EXAMPLE BUDGET

Salary: \$65,000

Commuter Benefits (MBTA Pass):
\$500/year

Flexible Spending Account (can be
used towards co-pays and other
medical bills): \$1,500/year

401(K) retirement account:
\$6,000/year

Health (Medical, Dental, Vision)
Insurance: \$2,000/year

Taxable Income: \$55,000

Monthly Take-Home Pay: \$3,500

Monthly Budget on \$3,500/month

Rent & Utilities: \$1000

Food: \$500

Entertainment: \$250

Personal (toiletries, subscriptions,
fitness, etc.): \$500

Transportation: \$50

Loan Payment: \$300 (income-driven)

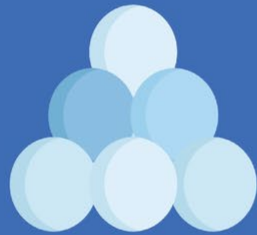
Savings: \$500

Remainder: \$400

DEBT REPAYMENT STRATEGIES

2 METHODS

CLEAR YOUR DEBTS EFFECTIVELY



1. Snowball Method

*Reorder your debt by amount owed
Clear the smallest debt first*



2. Avalanche Method

*Reorder your debt by interest (%)
Clear the debt with the highest interest first*

**Write it
down!**

PUBLIC SERVICE LOAN FORGIVENESS

120 qualifying payments (10 years):

- While you are employed full-time (at least 30 hours) by a not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code or a government agency (federal, state, local, tribal)
- On the right type of loan – any federal loan you borrowed while at Harvard Chan would qualify (unless you have a Perkins loan – but this would only apply to SDs)
- On the right repayment plan – any income-driven repayment plan qualifies
- On-time payments for the full amount due (but not more!)

<http://freestudentloanadvice.org/forgiveness-programs/>

BUYING A HOUSE



Debt-to-income ratio (DTI):

Total monthly recurring debt divided by total monthly income

**\$500 student loan payment + \$400 car payment
/ \$3,500 monthly income = 26%**

DTI needs to be under 43%, preferably under 36%

Credit Score:

If you are making on-time monthly payments on your student loans, this will gradually increase your credit score.

RESOURCES

Debt Management Supports:

- [AccessConnex by AccessLex](#)
- [The Institute of Student Loan Advisors \(TISLA\)](#)
- Our office! Set up an appointment to talk about your debt strategy:
calendly.com/chanofa/personal-finance
 - We also will be available after you graduate! You can call, email, or set up an appointment.
- [GreenPath Financial Wellness](#)
 - Free credit counseling and budget counseling for Harvard students and alumni

Personal Finance Stories:

YouTube

- [The Wealth Vibe](#), Dr. Shana Green's debt repayment journey
- [The Bemused](#), video on debt avalanche method

Podcasts

- [Bad with Money with Gaby Dunn](#) (also a book)
- [Paychecks & Balances](#)
- [Personal Finance for PhDs](#)
- [LexTalk Money!](#), accredited financial counselors



THANK YOU!

FINANCIALAID@HSPH.HARVARD.EDU