

CUNY SCHOOL OF MEDICINE

THE HOME OF HEALERS AND LEADERS


Financial Aid Newsletter: Loan Addition



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Congratulations PA Class of 2022!!



**The CUNY School of Medicine (CSOM)
Office of Financial Aid would like to
wish the graduating PA Class of 2022 a
big congratulations on your well
deserved success! Best of luck on all
of your future endeavors.**

Loan Interest Fees

How it Works & What to Expect

Interest is the cost of borrowing money. It is calculated as a percentage of the outstanding (unpaid) principal loan balance. Unlike other forms of debt, such as credit cards and mortgages, Direct Loans are daily interest loans, which means that interest accrues (accumulates) daily.

The amount of interest that accrues on your loan between your monthly payments is determined by a daily interest formula. This formula consists of multiplying your outstanding principal balance by the interest rate factor and multiplying that result by the number of days since you made your last payment.

Simple daily interest formula:

Interest Amount = (Outstanding Principal Balance × Interest Rate Factor) × Number of Days Since Last Payment

The interest rate varies depending on the loan type and (for most types of federal student loans) the first disbursement date of the loan. The disbursement date, or paid date, is the date federal student aid funds were credited to a student's account at a school.

Interest Rates for Direct Loans First Disbursed on or After July 1, 2021, and Before July 1, 2022

Direct Unsubsidized Loans (Graduate or Professional) = **5.28%**
Direct PLUS Loans (Graduate or Professional) = **6.28%**

*Interest rates shown above are fixed rates that will not change for the life of the loan.

View your [account](#) to see the interest accruing on your Federal loan(s)

- The US Department of Education (DOE) announced on December 22, 2021 an extension of COVID-19 emergency relief for student loans until **May 1, 2022**. The emergency relief includes the following measures for eligible loans: a suspension of loan payments, a 0% interest rate, and stopped collections on defaulted loans.



Origination Fees

What is it & how is it calculated?

Most federal student loans have loan fees, or origination fees, that are a percentage of the total loan amount. The loan fee is deducted proportionately from each loan disbursement you receive while enrolled in school. This means the money you receive will be less than the amount you actually borrow. You're responsible for repaying the entire amount you borrowed and not just the amount you received.

Visit the [StudentAid](#) site to view the current and previous loan fees for Direct Unsubsidized and Direct PLUS Loans.

For example: If you accept an unsubsidized loan of \$10,000 that disburses to your account on 10/18/21 (1.057% origination fee), \$9,894 is what you will see as the disbursed amount. You are responsible for paying the accepted amount of \$10,000 (in addition to accrued interest) back to your loan lender.

$\$10,000 \times 0.01057 = \106 origination fee
 $\$10,000 - \$106 = \$9,894$ disbursed amount

Managing your Loans as a Student

There are a few things you should be aware and knowledgeable of while borrowing federal loans as an enrolled and attending student of an institution. You should know who your loan servicer/lender is, your current loan status, how and where to make loan payments, how to borrow, and how to plan ahead.

Loan Servicer/Lender

A loan servicer is a company that the DOE assigns to handle the billing and other services on your federal student loan on their behalf and at no cost to you. The assignment happens after your loan amount is first disbursed. A notice advising you of your assigned loan servicer is communicated to you. You may also find your loan servicer by visiting your 'account dashboard', under the 'My Aid' section, and 'View loan servicer details.'

After your loan disbursement has taken place, you may view several items under your 'account dashboard'—such as your loan status, principal loan balance and interest. **Loan statuses** include items such as deferment, grace period, forbearance, repayment and default.

While enrolled at least half-time, you should have a deferment loan status. Your principal loan balance and interest will remain separated. You will not accrue interest on unpaid interest, but on the principal loan balance. After your six-month grace period has ended, capitalization will take place, in which your principal loan balance and total interest will combine to become one loan which you will then start repayment on.

Borrowing what you need.

Consider reducing the amount of money you borrow, if you can. You may request and borrow a lower federal student loan amount than you qualify for. If you find later in the academic year that you need additional loan funds, you can request a higher federal student loan amount (up to the maximum cost of attendance (COA)).

Can I make payments while enrolled?

Of course! If you have a Direct Loan, you are not required to make payments while you are in school and enrolled at least half time, during your grace period, or during a period of deferment or forbearance. However, making payments while you are not required to do so—instead of allowing interest to be capitalized (added to the principal balance)—can reduce the cost of your Direct Loan over time. You may contact your loan servicer directly to make payments.

Plan Ahead

Make sure you have a budget for the whole year, not just the next few months. Keep in mind that you may have large one-time expenses, such as tuition or books, at the start of each year or semester. Be aware that you may receive your funding, such as loan payments or scholarships, only a couple or few times a year.

Loan Status

While enrolled at least half-time, you will see a loan status of **deferment**. Deferment is a temporary postponement of payment on a loan. Direct Unsubsidized and Direct Graduate PLUS loans will continue to accrue interest while in deferment. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

After you graduate, leave school, or drop below half-time enrollment, you will have a six-month **grace period**, during which you are not required to make payments, before you are required to begin repayment. During this period, you'll receive repayment information from your loan servicer, and you'll be notified of your first payment due date.

After your grace period has ended, your loan servicer will contact you to choose a **repayment** plan. There are several repayment options available that are designed to meet the individual needs of borrowers. Your loan servicer can help you understand which repayment options are available to you.

If you are not enrolled at least half-time, are in repayment and unable to make monthly loan payments – you may be able to request **forbearance** from your lender. Forbearance is a period during which your monthly loan payments are temporarily suspended or reduced. During forbearance, principal payments are postponed but interest continues to accrue. Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.

The first day after you miss a student loan payment, your loan becomes past due, or delinquent. If you are delinquent on your student loan payment for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus. If you continue to be delinquent, your loan can risk going into **default**. Defaulting on your loan can have serious consequences, such as impacting your ability to borrow or impacting your finances. If you've missed a payment or are having trouble making payments, immediately contact and discuss options with the organization (loan lender) that handles billing and other services for your loan to avoid defaulting on your loan.

For More Information

- [Direct Loan Entrance Counseling Guide](#)
- [Repaying your Loans](#)
- [StudentAid.gov](#)