Carver College of Medicine

March 2024

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YOUR FINANCIAL LITERACY NEWSLETTER

What do I need to Know?

All Students:
If you want to return any of your spring loans, please send Chris Roling an email and let him know how much you would like to return. Loan adjustment requests need to be submitted before April 29.

M2, PA2, M3 students
Your summer AND fall loan disbursements will be combined into one large loan disbursement. **You will receive your entire summer/fall loan disbursement on July 8.** This disbursement needs to last until early January, so please budget accordingly. (current M1 students will still get their disbursement in the fall as usual)

M4 Students:
Don't forget to schedule your individual loan exit counseling session with Chris! Sessions can be held in person or online and generally last about 45 minutes. Spouses, partners, and significant others are welcome to attend! Click on this link to schedule an appointment.

Don't forget to RSVP for the AAMC Debt Management Session on March 19 from 5:30 - 7:00 PM Spouses, partners, and significant others are encouraged to attend! To sign up for either of these sessions, email Chris Roling.

Summer Loan Disbursements:
Current M2s, PA2s, & M3s
7/8/24
Current PA1
6/3/24

Fall Disbursement Dates:
Current PA1 and M1 students:
8/19/24
You must have filed your 2024-25 FAFSA in order to receive summer/fall loan disbursements!

How are Federal Student Loan Interest Rates Determined?

We have definitely seen an increase in student loan interest rates over the past few years. Students often ask how these rates are decided each year. Student Loan Interest Rates are determined by the Federal Government each year. There are two components that they use to determine this rate. The government looks at the 10 year high yield Treasury Note and a fixed-margin add-on rate.

The 10 year Treasury Yield predicts what 10-year Treasury Notes will pay over 10 years if they were purchased today. This number reflects buyer confidence and is often used to predict economic trends over the years. This number is not available until the close of market in May, so the new student loan interest rates are not available until early June each year.

An add-on margin is the amount that the lender charges to borrow the money. These add-on margins remain constant each year. (3.6% for graduate unsubsidized loans and 4.6% for PLUS loans.) This amount is added to the 10 year High Yield Treasury Note to come up with the fixed interest rate for that year.

Example: 2023-224 Academic Year

Loan Type	10-Year Treasury Note High Yield	Add-On Margin	Fixed Interest Rate for 23-24
Undergraduate Loans	3.45%	2.05%	5.5%
Graduate Unsubsidized Loans	3.45%	3.60%	7.05
PLUS Loans	3.45%	4.60%	8.05

What you need to know about co-signing a loan

Co-signers are needed when the borrower doesn't have sufficient credit to get a loan on their own. In these situations the lender may ask that the borrower finds someone with good credit to guarantee the loan. Co-signing a loan is something that you want to consider carefully. When you become a co-signer, you are guaranteeing the loan. If the borrower is unable/unwilling to make the payments you are *legally* responsible for making the payments.

Pros of co-signing a loan

- You are helping someone qualify for a loan that they would not be able to get on their own. You may also get them a better interest rate.
- This can help your credit—if the borrower makes their payments on time, it will actually improve your credit score over time.

Cons of co-signing a loan

- Your credit is at risk. If the borrower misses a payment or is late making a payment, this will decrease your credit score.
- You may end up paying the entire loan yourself. If the borrower is unable/unwilling to make the payments, you are legally responsible for making the payments. The lender will be contacting the co-signer and asking them to make the missed payments. If neither of you make the payments, your credit may be damaged beyond repair.
- It is not easy to remove yourself from the co-signer role. You can not opt out of the co-signer role unless you refinance the loan…and since they needed a co-signer to get the loan in the first place, it is not likely that a bank will refinance the loan without another co-signer.