

CCOMMON CENTS

YOUR FINANCIAL LITERACY NEWSLETTER

What do I need to Know?

All Students

Don't forget to accept your loans on MyUI. We are not able to request your loans until you have accepted them. So if you forget to accept your loans, it can delay your refund by 7-10 days. If you are in doubt, be sure to check out the *Financial Aid To Do List* on MyUI.

New Federal Student Loan Interest Rates effective July 1:
 Unsubsidized Loans: 5.284%
 Grad PLUS Loans: 6.284%

Rising M3 Students

Soon you will be registering for Step 1 exams. \$645 has been included in your summer loan disbursement to cover that cost. Please make sure that you set this money aside to pay for this exam.

2021-22 Loan Disbursement Dates
Summer Loans
 Current PA1's: June 6
 Rising PA3, M3, & M4: July 6
Fall Loans
 All CCOM Students: Aug 16

Financial Services Office Hours:
 Monday - Friday 7:30 - 5:00
 Please stop by 1216 MERF if you have any financial or debt management questions!
 Appointments are generally not necessary!

What is Interest Capitalization?

We have all heard the term capitalization before...but what does it mean and how will it impact you? Capitalization occurs when your unpaid interest is added to the principal balance on your loans after a period of deferment. Imagine that you have two buckets of money. One bucket is filled with the principal amount of loans that you borrowed and the other bucket contains the interest that you have accrued on your loans. When capitalization occurs, the two buckets are combined into one bucket.

For example:

\$172,000 the principal amount of loans that were borrowed

\$26,000 in interest has accrued on those loans

\$198,000 is your loan balance after the interest has capitalized. After capitalization, interest now accrues on this high loan amount



How many times will your interest capitalize? At least once...possibly more depending on various factors. Here are the most common events that trigger capitalization:

- 1) When you enter repayment (6 months after you graduate or leave your program)
- 2) Any time that you switch repayment plans
- 3) When you no longer demonstrate a partial economic hardship (while enrolled in the Pay As You Earn income based repayment plan)
- 4) Your loan servicer may have additional capitalization events, so be sure to contact your loan servicer to determine their capitalization policies

CARES Act Update



- The CARES Act is still in effect until the end of September. Interest will resume accruing on federal student loans in October.
- The government has approved a third round of HEERF funds for college students. No details have been released yet, but we will keep you updated. (It will be handled by the main financial aid office again) Be sure that you are reading your emails!
- In the last round of HEERF funds, 168 CCOM students received a total of \$182,850. Many of these students used this money to reduce their student loan debt.

A word of warning: Cares Act funding and government stimulus packages are certainly nice, but they will eventually come to an end. Make sure that you are still living within your budget so that you are not relying on these sources of free money. Getting used to these free government handouts often leads to changes in lifestyle that are not sustainable after these programs have gone away.

Is there a topic that you would like to see covered in a future newsletter? Email chris-roling@uiowa.edu