

# **CHAPTER SIX**

## **ALTERNATIVE LOAN PROGRAMS**

### **MEDLOANS ALTERNATIVE LOAN PROGRAM (ALP)**

#### **GRACE PERIOD**

There is a 9 months grace period for those borrowers whose student status changes to less than half-time prior to medical school graduation.

#### **INTEREST RATE**

*Prior to repayment:* Variable, adjusted quarterly to the Prime Rate + 0%.

*In repayment:* Variable, adjusted quarterly to the Prime Rate + 0.25%.

Interest is deferred and capitalized immediately before repayment.

#### **FEES**

0% at loan origination.

*At repayment:* Between 0% and 6%, based on a borrower's credit analysis at repayment and voluntary payments made during residency. Repayment conversion fee will be lower if minimum \$50 payments are made in residency.

#### **DEFERMENT PROVISIONS**

Pursuing a half-time course of study at a medical school that is eligible for the MEDLOANS Alternative Loan Program.

- Up to 3 years during which the borrower is a participant in an accredited internship or residency program.

#### **FORBEARANCE**

In the event of temporary financial hardship, MEDLOANS allows you to postpone loan payments through forbearance. However, you must apply for all periods of forbearance. Interest will continue to accrue during forbearance. A Forbearance Fee of \$20.00 will be assessed.

## REPAYMENT

- Borrowers have a maximum of 20 years to repay.

Options include:

- Standard, Graduated, Income Sensitive, and Extended Repayment Term: ten to thirty years depending on initial date of borrowing; or
  - Alternative Repayment Terms: maximum of twenty years to repay.
- May prepay whole or any portion of loan at any time without penalty.

## CANCELLATION

MEDLOANS will forgive your ALP Loan repayment obligations if you die while in school or during your (up to four year) residency. After medical school, the **MEDLOANS** program provides an opportunity for you to secure life insurance at an extremely affordable price. This insurance has been specifically developed to provide for the repayment of your Alternative Loan Program obligations in the event of your death with remaining funds being made available to your estate.

## BORROWER BENEFITS

The ALP Repayment Rate of Prime Rate +0.25% is available to those borrowers participating in the MEDLOANS Direct Repay Plan and the MED LOANS Great Rewards Program; otherwise the rate is Prime Rate + 1.0%.

### ***MEDLAONS Direct Repay Plan***

Pay electronically and receive an immediate 0.25 percentage point interest rate reduction.

### ***MEDLOANS Great Rewards Program***

Maintain a schedule of on time monthly payments and receive an immediate 0.5 percentage point interest rate reduction.

## **MEDCAP ALTERNATIVE LOAN (MAL)**

### **GRACE PERIOD**

There is a 9 month grace period for those borrowers whose student status changes to less than half-time prior to medical school or allied health school graduation.

### **INTEREST RATE**

- Allied Health: Prime rate + 1.50%
- Health Professions: Prime rate +1.00%

### **ORIGINATION FEES**

- Cosigned and non-cosigned loans: 0.00%
- Non-cosigned loans: 3.00% fee at repayment

### **DEFERMENT PROVISIONS**

- Pursuing at least a half-time course of study at a medical school or allied health school that is eligible for the MedCap Alternative Loan.
- Up to 3 years during which the borrower is a participant in an accredited internship or residency program.

### **FORBEARANCE**

No formal forbearance policy has been established.

### **CANCELLATION**

There is no death and disability clause on the MAL loan.

## **REPAYMENT**

- Borrowers have a maximum of 15 years to repay.

## **REPAYMENT BENEFITS**

Through the MedCAP Advantage Program, all borrowers are eligible to receive an interest rate reduction of 2% for the Federal Stafford loan and 0.5% for the private loan by making the first 48 scheduled payments on time. All Federal Stafford loan borrowers are eligible to receive a credit to their loan account equal to the “up-front” Federal origination fees paid (up to 3%) minus \$250 for making the first 24 scheduled monthly payments on time. In addition, borrowers receive an automatic 0.25% reduction by having payments deducted electronically from a bank account. Borrowers receive a combined billing statement for federal and private loans.

Federal and Private loans are serviced from origination through repayment at Wells Fargo Education Financial Services (a.k.a. Norwest Bank). Allied Health borrowers are eligible to have their cosigner released from their loan after making 24 consecutive on-time payments of principal and interest and meeting other credit criteria determined by Wells Fargo EFS.

## **ALTERNATIVE DENTAL EDUCATION ASSISTANCE LOAN (DEAL)**

### **GRACE PERIOD**

There is an interim period of 9 months following graduation or withdrawal from dental school during which time no repayment of the loan is required.

### **INTEREST RATE**

The rate varies quarterly, set to the 91-day Treasury Bill plus 2.50% during the in-school and grace period. During repayment, the interest rate varies quarterly, set to the 91-day Treasury Bill plus 2.00%, 2.50% or 2.85% depending on the borrower's choice of payment. Interest is only capitalized once to your loan principal at the beginning of repayment.

### **INSURANCE FEE**

- An initial insurance premium of 6% of the loan amount was charged at disbursement and deducted from the loan check.
- A second fee of 2.0% will be added to your loan balance at repayment.

### **REPAYMENT**

- Begins 24 months after graduation, or within 9 months if borrower withdraws prior to graduation.
- Each month the borrower has the option of choosing a payment tied to a 10-15 or 25 years repayment period.
- Repayment term may be extended up to 25 years. Borrowers also have the option of making interest-only payments for the first 2 years, followed by principal and interest for the balance of the loan term.

### **FORBEARANCE**

No formal forbearance policy has been established. However, borrower may request payment modification if unable to pay, but such modification would be at the lenders option.

### **CANCELLATION**

There is no death and disability clause on the DEAL loan.

## **THE EDUCATIONAL RESOURCE INSTITUTE/PROFESSIONAL EDUCATION PLAN (TERI/PEP)**

### **INTEREST RATE**

- The interest rate is a variable rate and will depend on the lender you choose. Interest rate can be as low as prime minus .50%.

### **DEFERMENT PROVISIONS**

- You may defer or postpone payment of principal and interest for up to four years while continuously enrolled in school. You may choose to make payments during this time. If you defer interest payments, any unpaid interest accrued while in school will be capitalized periodically by your lender.
- If you are a medical school student, you may request a second deferment on your new principal balance once interest has been capitalized on your PEP loan. You may take this deferment for up to four years while completing a medical internship or residency. (Interest accrued during this deferment period will be capitalized when you begin to repay your loan). Full principal and interest payments must begin within six months after you leave or complete this requirement.

### **REPAYMENT**

- The Professional Education Plan (PEP) allows you to take up to 20 years to repay, depending on the total amount borrowed. There is a monthly minimum payment of \$50.00 once principal is due six months after you graduate or leave school, unless a deferment is taken. There is no prepayment penalty.
- Your monthly principal and interest payments will remain fixed throughout the life of the loan. Any fluctuation in the interest rate will be reflected in the length of repayment, not in the monthly amount, unless an increase in the monthly amount is needed to keep the repayment period within the 25 year program maximum.

## **ALTERNATIVE LOAN PROGRAMS RIGHTS AND RESPONSIBILITIES**

### **BORROWER'S RESPONSIBILITIES**

- Must pay all the interest on the loan. If not paid on time or if borrower defaults, borrower will be responsible for late charges, additional interest costs, attorney and court costs.
- Notify your lender within 10 days of any changes in address, name, graduation date and any information pertinent to a student loan.
- Must contact lender at least 30 and not more than 60 days prior to commencement or repayment to establish precise terms of repayment.
- Loan must be repaid in accordance with repayment schedule. If account becomes overdue by more than 60 days, your lender will notify an appropriate consumer credit agency. Collection activities will be initiated if account becomes overdue.
- If payments are not made when due, loans may be declared in default.
- You do not have the right to have this loan discharged in bankruptcy.

### **LENDER'S RESPONSIBILITIES**

- Cannot change the terms of the loan without borrower's consent.
- Borrower must be notified within 20 days if loan is sold or serviced by a party other than lender and advised of the obligations to new holder.
- Must provide a repayment schedule before repayment begins.
- Borrower must be notified in writing at least every 6 months of balance owed for principal, interest and any other charges.
- Must return promissory note when paid in full.
- Must provide the borrower with their repayment options 90 days prior to the beginning of the repayment period.

# **SIGNATURE STUDENT LOAN**

## **GRACE PERIOD**

There is an interim period of 6 months immediately following graduation of withdrawal from school before commencement of the repayment period.

## **INTEREST RATE**

Variable, adjusted quarterly and is equal to the Prime Rate plus or minus the percentage as identified in the Disclosure Statement and rounded to the nearest one-eighth (0.125) of one percent.

Interest will be capitalized at the commencement of the Repayment Period.

## **FEES**

*At origination:* Between 0% and 6%, based on a borrowers credit history.

*At repayment:* Between 0% and 3%, based on a borrower's credit history.

## **DEFERMENT PROVISIONS**

- You may defer if you are pursuing a half-time course of study
- You may defer up to 3 years if you are a participant in an accredited internship or residency program. Deferments must be applied for each year.

## **FORBEARANCE**

In the event of temporary financial hardship, SallieMae allows you to postpone loan payments through forbearance. However, you must apply for all periods of forbearance. Interest will continue to accrue during forbearance.

## **REPAYMENT**

- Borrowers have a maximum of 26 years to repay
- Repayment options include Standard and Graduated Repayment terms.

## **CANCELLATION**

### **DEATH:**

Should a borrower or co-borrower(s) die, SallieMae will remove the deceased individual from the loan upon receipt within 30 days of the death certificate. Servicing will continue to bill the survivors.

### **DISABILITY:**

Should a borrower or co-borrower become totally and permanently disabled, documentation from a medical doctor verifying the nature and permanence of the disability must be filed with SallieMae. A disability claim can be filed only if there is no able borrower or co-borrowers(s) on the loan.