



# Supplemental Loan Comparison Chart

Students are encouraged to consider all options when choosing a supplemental educational loan. It is important to research and compare each option in detail so you select the best possible product for your individual needs. The options listed below highlight the basic characteristics of some lenders used by HGSE students; as such these are not “preferred lenders” and **students are not required to borrow through the lenders included on this chart.** It is important to note that HGSE participates in the Federal Direct Loan Program and the Federal Direct Graduate PLUS Loan is part of this program. These loans were included based on their accessibility to a variety of students, interest rate options, credit criteria, financial management tools and repayment options. Please refer to the specific lender’s website for comprehensive information regarding their loan program. **This is only a small sample of educational lenders available and you are encouraged to explore other sources of supplemental financing not listed on the comparison chart. Harvard University and the Harvard Graduate School of Education have no financial interest in which supplemental loan you choose to borrow. These examples are reviewed and updated annually.**

	Federal Direct Graduate PLUS Loan	Access Group Graduate Access Loan	Citibank CitiAssist Loan	MEFA Graduate Fixed Rate Loan
<b>Loan Amount Min/Max</b>	\$100/Cost of Attendance minus Financial Aid	\$1000/Cost of Attendance minus Financial Aid	\$100/Cost of Attendance minus Financial Aid	\$1000/Cost of Attendance minus Financial Aid
<b>Cumulative Debt Limit</b>	None	None	\$180,000 (\$225,000 for joint degree)	None
<b>Loan Type</b>	Fixed Rate	Variable Rate	Variable Rate	Fixed Rate
<b>Interest Rate</b>	7.90%	Variable rate set quarterly using the 3-month LIBOR rate + credit-based percentage	Credit-based/Variable rate set quarterly at Prime rate plus 1%	6.89%
<b>Loan Fees (based on total amount borrowed)</b>	4.00% - deducted from loan amount borrowed; a 1.50% up-front rebate results in effective 2.5% fee (see on-time payment benefit)	None	None	None with co-applicant 3.00% without co-applicant-added to loan amount borrowed
<b>Payment Deferral/Grace Period</b>	While enrolled + 1 month grace period (additional forbearance available)	While enrolled + 9 month grace period	While enrolled + 9 month grace period	While enrolled, 5 year maximum deferment
<b>Standard Repayment Period</b>	10 years standard, additional repayment plans available	Up to 20 years, repayment plans can be customized	15 years	20 years, additional repayment plans available
<b>Auto-debit Payment Benefit</b>	0.25% interest rate reduction	0.25% interest rate reduction	0.25% interest rate reduction	None
<b>On-time Payment Benefit</b>	1.50% loan fee rebate retained after first 12 on-time payments	0.5% interest rate reduction after first 48 on-time payments; must also retain benefit through history of loan	0.50% interest rate reduction after first 48 on-time payments	None
<b>Other Misc. Benefits</b>	Borrowers may be eligible for loan forgiveness for certain public service careers	None	None	None
<b>Notes</b>	Borrow directly from the US Department of Education, a non-profit entity; Various Federal protections for financial hardship	Access Group is a non-profit lender of graduate loans	Citibank is a for-profit corporation	MEFA (Massachusetts Education Financing Authority) is a non-profit entity
<b>Citizenship Eligibility</b>	US Citizen or Eligible non-citizen	US Citizen or Eligible non-citizen	All students, including international students	US and Canadian Citizens, international with US co-applicant
<b>Credit Requirement</b>	Credit Worthiness	Credit score	Credit score, with high approval rate	Credit Score
<b>Application Information</b>	<a href="http://www.gse.harvard.edu/admissions/financial_aid/loans/plus.html">http://www.gse.harvard.edu/admissions/financial_aid/loans/plus.html</a>	<a href="http://www.accessgroup.org/">http://www.accessgroup.org/</a>	<a href="http://studentloan.citibank.com/school/harvard">http://studentloan.citibank.com/school/harvard</a>	<a href="http://www.mefa.org/getALoan/graduateLoan.aspx">http://www.mefa.org/getALoan/graduateLoan.aspx</a>
<b>Contact Information</b>	1-800-848-0979	1-800-282-1550	1-800-967-2400	1-800-449-6332

**Please note that due to the current economic and credit environment the information contained within this publication is likely to change during the 2008-2009 academic year, with the exception of the Federal Direct Graduate PLUS Loan.**

# Supplemental Loan Comparisons - Choosing the Best Product to Suit Your Individual Needs

We strongly encourage you to consider all the factors involved in choosing a supplemental loan program, such as interest rates, credit check conditions, loan terms, repayment options and benefits, as well as personal financial preference. **Harvard University and the Harvard Graduate School of Education have no financial interest in which supplemental loan you choose to borrow.**

Your borrowing choice is a personal decision. This information can assist you in making an informed evaluation regarding your supplemental borrowing for your time at HGSE. There are a number of factors to think about when choosing a supplemental loan program. We encourage you to read these materials and make your decision based on the overall merit of a loan program and not simply the total cost.

The following information will cover these main topics:

- ➔ [Federal vs. Private Supplemental Loans](#)
- ➔ [Citizenship Requirements](#)
- ➔ [Credit Requirements](#)
- ➔ [The Impact of Your Credit](#)
- ➔ [Your Expectation of Interest Rates](#)
- ➔ [Your Risk Tolerance](#)
- ➔ [Pros and Cons of Fees](#)
- ➔ [Repayment Incentives](#)
- ➔ [Logistics of Repayment](#)
- ➔ [Total Cost](#)

## Federal vs. Private Supplemental Loans

Federal Supplemental Loans (Graduate PLUS Loans) generally have more favorable deferment and repayment terms than most supplemental loans offered by private lenders, such as:

- ⇒ A variety of repayment plans to help manage your payment amounts and budget
- ⇒ Unlimited deferment while enrolled in school at least ½ time in a degree-granting program
- ⇒ Protections should you become permanently and totally disabled
- ⇒ The option of forbearance during temporary periods of financial hardship
- ⇒ The possibility of loan forgiveness and/or cancellation for certain public service careers

Many, but not all, private lenders also offer flexible deferment and repayment terms. It is important to consider these terms should you ever need to take advantage of them. [BACK TO TOPICS](#)

## Citizenship Requirements

Your citizenship status will have an impact on which loan program you can borrow through:

- ⇒ As a domestic or permanent resident student, you can borrow through any loan program.
- ⇒ As an international student, you can only borrow through programs such as the CitiBank CitiAssist Loan Program, which lends to international students. If you are a Canadian student interested in taking out a MEFA Graduate Loan, then you are exempt from the co-applicant requirement. [BACK TO TOPICS](#)

## Credit Requirements

In general the Graduate PLUS credit review is less stringent than the private supplemental loan credit review. Approval for the CitiAssist loan program is guaranteed regardless of your credit history. The bullets below give you more details regarding credit requirements.

- ⇒ Graduate PLUS loan approval is based on your credit worthiness. A basic credit check will be run. This means that if you are found to be 90 days or more delinquent on the repayment of any debt or the subject of a default, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment or write-off of a Title IV debt during the last five years, your application will be denied.
- ⇒ Approval for private supplemental loan programs is based on your credit score (CitiAssist excluded). This takes into account all of the above, as well as how many credit cards you hold, the limit on each of those cards and the amount that is accruing in interest. There are other factors that go into your credit score, and you should not think that you will improve your credit score by canceling a credit card. If you need tips on improving your credit score, refer to the credit section of our website or go to [www.myfico.com](http://www.myfico.com). [BACK TO TOPICS](#)

## The Impact of Your Credit

Your credit could impact your interest rate and the program through which you can borrow.

- ⇒ If you have excellent credit, some lenders will offer you a better rate.
- ⇒ If you have poor credit, you can try to apply for a Graduate PLUS Loan since the credit criteria is not as stringent as a private loan.
- ⇒ If you are denied a Graduate PLUS Loan, you may apply with an endorser (co-applicant) or will need to apply to a different private supplemental loan program.
- ⇒ If you fail the credit check of any private loan program you will still be allowed to borrow through the CitiAssist Program, however, a debt management/credit counseling session may be required. [BACK TO TOPICS](#)

## Your Expectation of Interest Rates

Are you the type of person that is more risk-oriented or more conservative in your approach to money and what do you think is going to happen to interest rates in the future? Rates in the past five years have been at historic lows, and interest rates of 7-8% historically are good-to-average rates. Unfortunately, we know of no reliable way to predict future interest rates. However, here are some considerations:

- ⇒ If you are more risk-oriented and believe that the average interest rates over the time you hold your loan could go down, then you might want to borrow a loan that has a variable interest rate. The benefit of a variable interest rate loan is that the interest rate could go down during the life of a loan and save you money in the long run.
- ⇒ If you are more conservative and believe that the average interest rates over the time you hold your loan will be about the same or will go up, then you may want to borrow a fixed interest rate loan. The benefit of a fixed interest rate loan is that you lock in the current rate for the life of the loan. [BACK TO TOPICS](#)

## Your Risk Tolerance

Are you someone who can tolerate fluctuations in your monthly payment amount?

- ⇒ If so, a variable interest rate loan may interest you. The interest rate on a variable interest rate loan will change each quarter and your payment will, therefore, change each quarter as well.
- ⇒ If not, you may want to consider borrowing a fixed interest rate loan. With a fixed interest rate your monthly payment will always be the same for the life of the loan. The predictability of this type of loan can help you better manage your money. [BACK TO TOPICS](#)

## Pros and Cons of Fees

- ⇒ Pros: If the fee enables you to lock in a low, fixed interest rate, you may be better off in the long run if interest rates increase.
- ⇒ Cons: If you pay a fee to take out a loan you may be paying extra costs especially if you pay the loan off early.

It is important to note how loan fees affect the amount that is credited to your student bill. Fees are either added to the loan amount by the lender after disbursement, or they are deducted from the loan amount by the lender prior to disbursement.

All Federal Graduate PLUS loans have a fee deducted from the loan amount. The fee varies depending on the lender. If you decide to borrow through a Graduate PLUS Loan Program you may want to increase the amount of money you borrow to establish your desired net loan amount. Use the following information to determine the net amount to borrow to take the loan fees into account:

Lender	Fee	Divide desired loan amount by:
Federal Direct Grad PLUS	2.5%	0.975

For example:

- You want to borrow a net amount of \$10,000.
- There is a 2.5% fee taken prior to disbursement.
- You should apply for  $\$10,000 / 0.975$ , or \$10,256.

\*Please note the total fee for Direct Graduate PLUS loans is 4%. However, the Department of Education has decided to deduct only 2.5% from your total loan amount at the time of disbursement. If you do not make the first 12 monthly payments on time, you will be charged an additional 1.5% fee for a total of 4%. If you consolidate your Direct Graduate PLUS Loan prior to making your first 12 monthly payments on-time, you will be charged the full 4%.

Most other supplemental loan types add the fee to the original loan amount and, therefore, you will not have to increase the amount you borrow to cover the fees. [BACK TO TOPICS](#)

## Repayment Incentives

Are you planning on paying your loans off in the first few years after graduating?

- ⇒ If so, an interest rate reduction after 4 years of on-time payments may not be a true benefit to you as your loan will already be paid off in full.
- ⇒ If not, you should be honest with yourself about the likelihood that you will be able to meet the benefit requirements. Keep in mind that the repayment incentives are a marketing tool used by the lenders. Roughly only 12 – 19% of borrowers nationally actually achieve the borrower incentives; therefore, we strongly encourage you to make your borrowing decision based on a number of factors and not only the repayment incentives. [BACK TO TOPICS](#)

## Logistics of Repayment

Are you someone who would prefer to have as few lenders as possible for your federal and supplemental loans?

- ⇒ If so, you may prefer to have as many of your loans as possible to be through the same lender so that you only need to work with one lender. The benefit of this is that you will only have to make one payment each month for the loans through that lender.
- ⇒ Since electronic debiting is very popular and mainstream now (making managing several payments at one time easier) you may be willing to work with more than one lender in order to take advantage of the best interest rates and repayment incentives. [BACK TO TOPICS](#)

## Total Cost

Total cost should be a factor in making your decision in supplemental loan borrowing; however, we hope that you will consider all of the factors outlined above before making your final choice. You should use this information not as a bottom line comparison, but instead to decide if, for example, a \$300 increase in total cost is worth the difference between a fixed and variable interest rate loan, or if a \$600 increase is worth the security of federal repayment benefits. We recommend using a web-based interactive loan calculator to help estimate approximate total costs of the supplemental loan(s) that interest you.

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