

Medical School Student Loan Rates

One of the largest points to consider when taking out or consolidating medical school loans is the interest rates on the loan. This interest rate will determine just how much extra money you will pay in addition of the principal of the loan. All loans including Stafford, PLUS, Perkins, private or consolidated loans have some type of interest rate attached to them.

STAFFORD LOANS

Stafford loans are based on a two-tiered interest rate program. For loans disbursed between July 1, 1998 and July 1, 2006, when a borrower is in-school or grace, their interest rate is 6.54%. However, when the borrower enters repayment, the interest rate increases to 7.14%. All Stafford Loans issued July 1, 2006 or later have a fixed interest rate of 6.80%. Before July 1, 2006, the interest rate was based off a variable formula which itself was based on the 91-day Treasury Bill. Stafford Loans disbursed prior to July 1, 1998 have variable interest rates in excess of 7.14%.

PLUS LOANS

PLUS loans also changed to a fixed interest rate on July 1, 2006. However, the PLUS loan rate is higher, currently at 8.5%. PLUS loaning institutions are also offering lower rates and incentives attempting to beat the competition.

PERKINS LOANS

Need-based loans extended from schools to students are known as Perkins Loans. These loans carry the lowest current interest rate of all new loans, a fixed rate of 5%. The loans have a ten year repayment period and a 9 month grace period. Also, since they are subsidized by the federal government, interest does not begin to accrue until repayment begins.

PRIVATE LOANS

One of the regulating points on interest rates for private medical school student loans is the Prime Interest Rate. The Prime Interest Rate is usually 3% higher than the Federal Funds Rate. The Federal Funds Rate is the interest rate that lending institutions charge each other for immediate loans meant to complete reserve funding requirements. The most openly accepted Prime Interest Rate is the Wall Street Journal Prime Rate provided by the daily published Wall Street Journal. The Wall Street Journal characterizes the Prime Rate as "the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks." This means that when 23 out of 30 of the largest US banks change their independent Prime

Interest Rate, the Wall Street Journal updates the Prime Rate. Right now the WSJ Prime Rate is sitting at 8.50%.

The interest rate on most private medical school loans is directly tied to one of the major financial indexes, mainly the Wall Street Journal Prime Rate, the federal Prime Interest Rate, or the London Interbank Offered Rate (LIBOR) Index plus an added overhead charge. This overhead charge is based upon the credit history of the borrower so it will vary depending on their credit score.

CONSOLIDATED LOANS

Federal Consolidated loans have a fixed interest rate based on the weighted average interest rate of all the loans being consolidated by the individual borrower. Not only does a consolidated loan have a fixed interest rate, but the monthly payment is also lowered as the loan may be extended to thirty years. Federal consolidations also help borrowers save money through borrower benefits. Medical School Loans currently allows you to reduce your interest rate by 0.25% if you enroll in our automated debit program. Also, if you consolidate \$20,000 or more in eligible medical school student loans and make thirty-six consistent on-time payments, you will receive an additional 1% interest rate reduction.