

## TRUTH-IN-LENDING ACT (TILA)

Effective February 14<sup>th</sup>, 2010, new regulations changed the disclosure requirements for the Truth-in-Lending Act (TILA) for private education loans made expressly for postsecondary educational expenses. Since the University of Mississippi Medical Center (UMMC) does not award private education loans, these regulations pertain to Institutional Loans which are awarded by UMMC.

TILA requires that all borrowers receive three disclosures to encourage total transparency regarding the terms and conditions of private loans as well as their possible total cost and UMMC Institutional Aid loans fall under this requirement. The prior page and this page meet the requirements you should receive in your first disclosure. If you are awarded an Institutional Aid Loan, you will receive a Loan Approval Disclosure with your award letter. You will also be required to complete a Borrower Self-Certification form which will be mailed to you by the Student Loans Office. Your Final Disclosure will also be mailed to you by the Student Loans Office.

TILA was created mainly for the undergraduate population since students may choose to borrow from a private loan first rather than borrowing from the Federal Stafford and Grad Plus loan programs which have better terms.

At UMMC, the Financial Aid Office determines Federal Stafford Loan eligibility first for all students who apply for financial aid before determining eligibility for Institutional Loans.

### Rates and Fees:

Interest rates on Institutional Aid Loans range from 0% to a maximum of 10% and the average interest rate for the last 20 years was 7%. There are no fees charged and maximum length of repayment is 10 years. Below is an example of the cost of an Institutional Loan of \$15,000 based on a fixed interest rate of 9%:

<b>ANNUAL PERCENTAGE RATE</b> The cost of your credit as a yearly rate.	<b>FINANCE CHARGE</b> The dollar amount the credit will cost you.	<b>AMOUNT FINANCED</b> The amount of credit provided to you or on your behalf.	<b>TOTAL OF PAYMENTS</b> The amount you will have paid after you have made all payments as scheduled.
<b>9%</b>	<b>\$7,906.47</b>	<b>\$15,000.00</b>	<b>\$22,906.47</b>

Interest accrues daily, based on the unpaid balance of the loan. Payments received prior to the due date will reduce, and late payments will increase the total amount of interest you must pay.