

You Can Afford Medical School

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Attending medical school is an expensive financial investment. Various forms of financial aid are available to help students pay for the cost of a medical education, including scholarships, grants, and federal, institutional, and private loans. A major consideration in my choice of which medical school to attend was the robustness of my financial aid package and an in-depth understanding of living expenses.

Here are my personal recommendations for managing finances in medical school:

- *Get to know your school's financial aid team. It is a critical resource in helping you make the right decisions for your specific financial situation.*
- *Be proactive in getting all your questions related to financial aid answered. If you find yourself confused or overwhelmed, speak with a financial aid counselor—they're there to help guide you.*
- *Track your expenses. In addition to helping you live within your means, tracking expenses is a vital life skill that will serve you well in the future.*
- *Know what you borrowed and who you borrowed from. It sounds basic, but it's essential to know this when it comes time for repayment.*

Ultimately, I relied closely on my school's financial aid office, AAMC online resources, and my personal support system for advice and guidance in financing my medical education. The investment you make in attending medical school is significant, but there are resources and tools and advisors to help you make this daunting process much smoother.

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Dipika Gaur
MD Candidate
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Building a Strong Financial Plan

You'll need to develop a strategy to cover the costs associated with your education. Don't let the numbers discourage you. There's help available.

When you look at the figures in Table 10.1, the financial challenges may seem overwhelming. Annual tuition, fees, and health insurance for the first year at state medical schools in 2016–2017 averaged about \$35,932 for residents and \$60,543 for nonresidents; at private schools, the average was \$57,492 for residents and \$58,895 for nonresidents.

According to recent surveys conducted by the AAMC, 75% of newly graduated MDs have medical school education loans, and 63% reported receiving some degree of help through scholarships, stipends, and

Table 10.1. Tuition, Fees, and Health Insurance for 2017–2018 First-Year Students in U.S. Medical Schools* (in Dollars)

Private Schools			
Student Category	Range	Median	Average
Resident	\$24,363–\$66,661	\$59,605	\$57,492
Nonresident	\$37,165–\$67,480	\$60,300	\$58,895

Public Schools			
Student Category	Range	Median	Average
Resident	\$0**–\$53,327	\$36,817	\$35,932
Nonresident	\$0**–\$98,538	\$62,466	\$60,543

*Analysis excludes the Brody School of Medicine at East Carolina University, University of Massachusetts Medical School, Mercer University School of Medicine, University of Mississippi School of Medicine, and Southern Illinois School University of Medicine. These schools do not accept nonresident medical students, and therefore, they do not report nonresident tuition and fees. "Public Schools" excludes Uniformed Services University of Health Sciences, which does not charge tuition or student fees.

**Instead of paying tuition and fees, students at Uniformed Services–Hébert incur a national service obligation.

Source: 2016–2017 AAMC Tuition and Student Fees Questionnaire.

grants (which you don't have to repay). So, it can be done, and it is ... by tens of thousands of medical students every single year. But first: You'll need a plan.

Before you actually borrow money, it's important that you understand—and adhere to—the basic principles of successful money management. With that in mind, the three basic recommendations that follow should help you build a strong financial foundation.

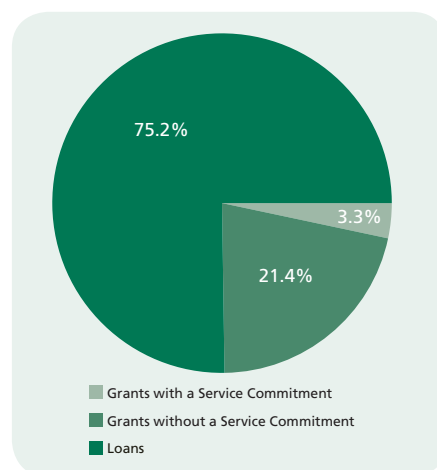
1. Live Within Your Means

All other efforts to "afford" medical school and handle your monies wisely will be undermined if you don't have a plan of action for your finances. Having a spending plan is the cornerstone of a solid financial foundation. Let's face it, money will be tight during medical school, and a realistic spending plan will be critical to your financial well-being. A well-crafted plan will help you maintain better control of your spending, ensure you cover your essential expenses, and prepare you for unexpected expenses by building an emergency fund.

Creating a budget involves only a few steps:

- Income—document incoming funds, which will likely be in the form of financial aid (loans, scholarships, or grants)
- Expenses—identify outgoing expenses, like rent, food, and tuition

Figure 10.1. Distribution of financial aid among medical students.



Source: 2016–2017 LCME Student Financial Aid Questionnaire Part I-B.

- Discretionary income—calculate your discretionary income to see if your spending plan allows you to live within your means
- For assistance in creating a realistic budget, contact the financial aid office of the medical school you're interested in attending. Often, they can provide some approximations of the average amount of student loan monies available to live on and the expected costs of necessities while attending medical school.

$$\text{Your Total Income} - \text{Your Total Expenses} = \text{Your Discretionary Income}$$

2. Manage Your Debt Wisely

- Given the costs of medical school, it's understandable that the vast majority of medical students borrow money to fund their education—and, as of 2017, graduate with median education debt of \$192,000. The ability to manage debt wisely is important, regardless of one's situation, and it becomes even more critical for you—a prospective medical student—when you consider the degree to which you're likely to rely on loans to help pay for your education.
- Be conscious of the amount you're likely to borrow, and be comfortable knowing that your future income will allow you to repay your student loan debt.
- Educate yourself about various financing possibilities before you arrive at medical school, and diligently search for free money, such as scholarships, grants, and repayment assistance programs.
- Understand your responsibilities—beyond making payments—that come with borrowing student loans. These include knowing what loans you borrowed, where to send payments, and when payments are due. You'll also be responsible for notifying your servicers of any changes to your name, contact information, or enrollment status.
- Stay organized. Maintain accurate financial aid records, copies of application forms, and any related paperwork. This also means opening and reading all mail pertaining to your student loan debt. The MedLoans® Organizer and Calculator is a tool that can help you keep everything organized. Every accepted medical school student is given access to this free tool, found at aamc.org/medloans.
- Build a good credit score by meeting your financial obligations. In doing so, you'll strengthen your ability to qualify for and obtain attractive interest rates for credit-based loans, land a job, and rent an apartment. For more information, go to aamc.org/first/creditscore.
- There's an abundance of resources to help you through this process—including those provided by your prehealth advisor, the pages that follow in this book, and the AAMC's Financial Information, Resources, Services, and Tools (FIRST) program. FIRST provides a wide range of resources to help medical school applicants and students make smart decisions about student loans, effectively manage their education debt, and expand their financial skills. The AAMC also provides financial management assistance through a free financial literacy program called SALT. SALT provides practical information on budgeting, money management, credit, debt management, and more. Sign up for your free SALT account at saltmoney.org/AAMCpremed.
- The financial aid package offered by each medical school may be a significant factor when you're deciding which offer to accept. For information on this and other considerations, see Chapter 6, "Choosing the Schools That Are Right for You."

3. Maintain Good Credit

- Some medical schools require a credit history as part of the financial aid application and require that applicants resolve any credit problems before they matriculate. Some medical schools will grant a delay of matriculation to an accepted applicant who must address credit problems. Applicants are advised to contact financial aid offices at the medical schools they're interested in to discuss financial aid eligibility and, if necessary, resolve any outstanding credit problems.

Tips to Help Your Credit Score


- Pay your bills on time.
- Limit your credit accounts.
- Keep balances below your credit limit and pay off debt.
- Pay down debt whenever possible. If you can't pay off the debt, at least pay more than the minimum amount due.
- Stay current on all outstanding credit obligations.
- Check your credit report regularly at annualcreditreport.com.

Types of Financial Aid

How Will You Pay for Medical School?

First, remember that you're not alone. While the ultimate financial responsibility for your medical education rests with you and your family, there are many resources and tools to help you. The financial aid officer at your medical school will assist you, but you'll also want to talk to your prehealth advisor and familiarize yourself with the Financial Aid Fact Sheets from the AAMC's FIRST program (aamc.org/first). Examples of additional financial resources from FIRST include the Debt, Costs, and Loan Repayment Fact Card (Figure 10.2) and information on student loans (Table 10.2).

Figure 10.2. Medical Student Education: Debt, Costs, and Loan Repayment Fact Card.

October 2017			
			
Medical Student Education: Debt, Costs, and Loan Repayment Fact Card			
Class of 2017	Public	Private	All
Pct. with Ed. Debt	77%	72%	75%
Mean (indebted only)	\$181,179 (↑0%)	\$206,204 (↑1%)	\$190,694 (↑1%)
Median (indebted only)	\$180,000 (↑0%)	\$202,000 (↑1%)	\$192,000 (↑1%)
Education Debt (including premed) of:	Public	Private	All
\$100,000 or more	82%	83%	83%
\$200,000 or more	43%	57%	48%
\$300,000 or more	10%	21%	14%
Planning to enter loan forgiveness/repayment program:	46%		
Education Debt Breakdown	% Graduates	Median	
Premedical Education Debt	32%	\$25,000	
Medical Education Debt	72%	\$180,000	
Non-Education Debt	% Graduates	Median	
Credit Cards	14%	\$5,000	
Residency/Relocation Loans	3%	\$12,000	
Cost, M1 In-State, 2017-18	Public	Private	
Median Tuition & Fees	\$36,937 (↑1%)	\$59,605 (↑4%)	
Median Cost of Attendance (COA)	\$60,945 (↑3%)	\$82,278 (↑2%)	
Median 4-Yr. COA for Class of 2018	\$243,902 (↑1%)	\$322,767 (↑3%)	
<small>Source: FIRST analysis of AAMC 2017 GO data. Education debt figures include premedical education debt plus medical education debt. Non-education debt collected by category.</small>			
<small>Source: AAMCTSF Survey data from 88 public schools and 54 private schools.</small>			
aamc.org/FIRST			

Sample Repayment – \$192,000 in Federal Direct Loans

Description	Repayment Years	Monthly Payment	Interest Cost	Total Repayment
PAYE during residency and after with \$185,000 starting salary	Residency: 3	\$310 to \$360	\$244,000	\$390,000 then ~\$46,000 forgiven
	Post-Res.: 17	\$1,500 to \$2,200		
REPAYE during residency and after with \$185,000 starting salary	Residency: 3	\$310 to \$360	\$213,000	\$405,000
	Post-Res.: 18	\$1,500 to \$2,300		
REPAYE during residency and after with \$250,000 starting salary	Residency: 4	\$310 to \$380	\$160,000	\$352,000
	Post-Res.: 12	\$2,200 to \$2,800		
Forbearance during residency, then Standard	Residency: 3	\$0	\$156,000	\$348,000
	Post-Res.: 10	\$2,900		
Forbearance during residency, then Standard	Residency: 7	\$0	\$226,000	\$418,000
	Post-Res.: 10	\$3,500		
REPAYE during residency and after with \$140,000 starting salary and PSLF	Residency: 3	\$310 to \$360	\$113,000	\$113,000 then remaining balance forgiven
	Post-Res.: 7	\$1,100 to \$1,300		

Notes: PAYE is Pay As You Earn. REPAYE is Revised Pay As You Earn. PSLF is the federal Public Service Loan Forgiveness program. All figures are approximate, rounded for clarity, and estimated for a 2018 graduate. Full assumptions for each scenario available on request. Salaries in 2016 dollars. Non-PSLF amounts forgiven are taxable.

2017 1st Post-MD Year estimated median stipend: \$54,600
Federal PAYE/REPAYE monthly payment based on above stipend: \$300
See aamc.org/sloan for state and federal loan repayment/scholarship programs.
Interest Rates for federal Graduate/Professional loans disbursed 7/1/17 to 6/30/18
Direct Unsubsidized: 6.00% Direct PLUS: 7.00% Rates change annually

Contact Information
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The AAMC is the leading source of education debt management information for medical students and residents including the MedLoans® Organizer and Calculator.

Table 10.2. Federal Student Loans for Medical Students

Characteristics	Direct Unsubsidized Loan	Direct PLUS Loan	Loans for Disadvantaged Students	Primary Care Loan
Lender	The federal government	The federal government	Medical school financial aid office on behalf of the Department of HHS	Medical school financial aid office on behalf of the Department of HHS
Based on Need	No	No	Yes ¹	Yes ²
Citizenship Requirement	U.S. citizen, U.S. national, or U.S. permanent resident	U.S. citizen, U.S. national, or U.S. permanent resident	U.S. citizen, U.S. national, or U.S. permanent resident	U.S. citizen, U.S. national, or U.S. permanent resident
Borrowing Limits	\$40,500–\$47,167/year, \$224,000 cumulative maximum for premed and medical borrowing ³	Annual cost of attendance minus other financial aid	Up to cost of attendance (third- and fourth-year students may receive additional funds to repay previous educational loans received while attending medical school) ³	Up to cost of attendance (third- and fourth-year students may receive additional funds to repay previous educational loans received while attending medical school) ³
Interest Rate	For loans disbursed after July 1, 2013, the rate is fixed for the life of the loan. These fixed rates are calculated every July 1st and are effective for loans disbursed during the next academic year. For current rates, visit studentaid.ed.gov/types/loans/interest-rates .	For loans disbursed after July 1, 2013, the rate is fixed for the life of the loan. These fixed rates are calculated every July 1st and are effective for loans disbursed during the next academic year. For current rates, visit studentaid.ed.gov/types/loans/interest-rates .	5%	5%
Interest Subsidy	No	No	While in school, deferment, and grace period	While in school, deferment, and grace period
Grace Period	6 months	None	1 year	1 year
Deferments	While in school and other possible deferment periods based on eligibility (check your promissory note or ask your financial aid officer)	While in school and 6 months after separating from school (post-enrollment deferment)	While in school and during approved eligible activities	While in school and during a primary care residency (check your promissory note or ask your financial aid officer)
Repayment Requirements	Repayment plans and postponement options exist during residency and beyond	Repayment plans and postponement options exist during residency and beyond	Minimum: \$40/month; 10 to 25 years to repay, at the discretion of the institution; may be eligible for federal loan consolidation	Minimum: \$40/month; 10 to 25 years to repay; not eligible for loan consolidation
Prepayment Penalties	None			
Allowable Cancellations	Death or total and permanent disability			

1. Parent financial information is required for consideration for dependent students.

2. Borrower must agree upon signing loan agreement to enter and complete a primary care residency and practice in a primary care field, which together must be a total of 10 years in length or until the loan is repaid in full, whichever occurs first. Parent financial information is required for consideration for dependent students.

3. Both annual and aggregate maximums are subject to change, pending congressional action.

Loans

It's likely that your primary financial funding for medical school will come from federal student loans—a form of financial aid. They are normally the first type of loan suggested, before you consider private loans. Table 10.2 provides specific information about four of the most common federal loans used by medical students:

- Direct Unsubsidized Loans
- Direct PLUS Loans
- Loans for Disadvantaged Students (LDS)
- Primary Care Loans (PCL)

Medical school is expensive. However, strong job security and excellent income potential should enable any medical school graduate, practicing in any specialty, to repay education debt and provide for a secure living and retirement.

Grants and Scholarships

When it comes to financing your medical education, the best money is free money, often referred to as “gift aid,” which you don't have to repay. While grants and scholarships are likely to cover only a portion of your overall educational costs, it's worth noting that many students get some degree of funding from these sources. The source of gift aid can be from the federal government, the state government, other outside resources, and your medical school. Your medical school financial aid officer is the best source of information about which grants and scholarships may be available to you.

The Financial Aid Application Process

The financial aid process may vary slightly by institution, so you'll want to discuss each school's requirements with the financial aid officer. Generally, most schools require that you're a U.S. citizen or permanent resident, that you're making satisfactory academic progress, and that you're in compliance with Selective Service registration requirements.

Regardless of the medical school, there's a standard process for applying for federal financial aid.

Step 1. Fill Out the FAFSA

Completing the Free Application for Federal Student Aid (FAFSA) is the first step toward getting federal aid for medical school. Completing the FAFSA online is easy and free. The schools listed on your FAFSA will receive your financial information to then determine your eligibility for aid. Some schools may require parental information; check with the financial aid offices of the schools you're applying to for their requirements.

Step 2. Investigate Other Sources of Aid

Contact the financial aid offices at the medical schools you're interested in to investigate other sources of institutional aid, such as loans, scholarships, and grants.

Step 3. Receive and Reply to the Award Letter

Once your FAFSA and other required forms are received and processed by a medical school's financial aid office, you'll receive an award letter indicating the types and amounts of financial aid you qualify for—along with directions for accepting or declining the aid. Be sure to follow the instructions to receive your

financial aid in a timely manner. For more information on award letters, review the What Is an Award Letter? Fact Sheet: students-residents.aamc.org/financial-aid/article/what-is-an-award-letter.

When awarding aid, each financial aid office has principles that are guided by multiple factors. The aid package is determined by eligibility for federal aid, available institutional resources, family resources, and the institution's mission. Additionally, the school compares the cost of attendance and other external variables before making a final determination of aid eligibility. For eligibility and additional details, talk with the financial aid officer at the medical school you plan to attend. If you're not sure what to ask, review the Top 10 Questions Premeds Should Ask Medical School Financial Aid Officers at students-residents.aamc.org/financial-aid/article/top-10-questions-pre-meds-should-ask-medical-school.

How Medical Schools Determine Eligibility for Financial Aid

Medical schools are sensitive to the financial needs of students. Guided by federal regulations, the financial aid officer will determine your aid eligibility by examining the following questions.

How Much Does It Cost?

The cost of medical education includes tuition, fees, books, supplies, equipment, and living expenses. These components make up the school's cost of attendance (COA) and vary by school. (You can find out the tuition and fees and COA of each medical school on the Medical School Admission Requirements™ website, aamc.org/msar.)

What Are Your Resources?

The next area that will be calculated is the amount you'll be required to pay toward the cost of the education. This amount, called the expected family contribution (EFC), is determined through a need-analysis formula to ensure that all students are treated equitably. Both income and assets are considered.

Even though you're considered independent for purposes of federal loans, many institutions require parental financial information to determine eligibility for institutional grants, scholarships, and school-based loans. School officials use this information to assess the student's ability to pay rather than willingness to pay, helping ensure that certain types of aid are awarded to students with the greatest need.

What Additional Resources Are Needed?

Finally, the financial aid office will subtract your EFC from the institution's total cost of attendance. The remainder determines how much aid you'll need for the upcoming academic year. At this point, the medical school will send you an "award letter" detailing the amount and type of financial aid available to you.

You'll be asked to accept or decline the offer (or a portion of it) and return the letter to the school. (The amount of financial aid an institution offers may be an important factor in choosing which school to attend. Review Chapter 6 for additional information and guidance on making your selection. To further assist you in the analysis of your award letters, all accepted applicants are given complimentary access to the MedLoans Organizer and Calculator at aamc.org/medloans. This tool can be used to clearly see the total cost associated with the financing options provided in the award letters.)

Forgiveness and Repayment Assistance Programs

Loan forgiveness and repayment programs are available for students interested in reducing their education loan debt through service. These are great options if your career goals align with those of the particular repayment or forgiveness program. The programs vary in structure, requirements, and award amounts.

The federal government provides both service commitment and loan repayment benefits to medical students interested in pursuing careers in primary care and to those committed to working in medically underserved areas.

Additionally, the federal government has a loan forgiveness program to reward borrowers who choose to work in public service, and borrowers can also take advantage of repayment plans offering loan forgiveness if a balance still remains at the end of their loan term.

Some state programs are available to students and graduates in return for a commitment to serve in the state's areas of need. Review the Loan Repayment/Forgiveness and Scholarship Programs database at aamc.org/stloan.

The U.S. Armed Forces have programs that offer support to students enrolled in civilian medical schools in exchange for service in the branch that provided the funding.

Federal Loans and Repayment

The benefits available with the federal student loan programs include these:

- **Peace of mind.** Payments are not required until after medical school is over. Payments can even be postponed throughout residency, if a borrower doesn't want to make payments during that time.
- **Fixed interest rates.** Rates will not rise (once the loan has been disbursed), and interest rate reductions may even be available if borrowers elect automatic electronic payment and/or make their payments on time.
- **Various repayment plans.** Flexible plans are available to make payments affordable—even during residency.
- **Education tax credits or deductions.** Some borrowers may be eligible for tax benefits; consult Publication 970 from the IRS for more information (irs.gov/pub/irs-pdf/p970.pdf).

For additional details on service commitment and loan forgiveness, please review the [Repayment Assistance Through Forgiveness, Scholarships, or Service Fact Sheet](#) at aamc.org/repayasst.

As you near graduation, your financial aid office and your loan servicers will supply the details you need to successfully manage your debt after graduation.

A Final Word About Financing Your Medical Education

The AAMC has a variety of financial information, resources, services, and tools for students and residents interested in learning about debt management. For help with accomplishing your financial goals and understanding your options for paying for medical school, review FIRST's Financial Aid Fact Sheets, watch a video, or sign up to participate in a live webinar at aamc.org/first.

Service Commitment and Loan Forgiveness Programs

Learn more about these programs at the websites listed below, and review FIRST's Consumer and Federal Financial Aid Resources webpage at students-residents.aamc.org/financial-aid/article/resources:

AAMC Loan Repayment/Forgiveness Scholarship Programs Database: aamc.org/stloan

Indian Health Services (IHS): ihs.gov/careeropps/loanrepayment/

National Health Service Corps: nhsc.hrsa.gov/index.html

NIH Loan Repayment: www.lrp.nih.gov/index.aspx

Public Service Loan Forgiveness (PSLF): studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service

U.S. Air Force: airforce.com/education

U.S. Army: goarmy.com/amedd/hpsp.html

U.S. Navy: navy.com/careers/healthcare/physicians/



Worksheets at the end of chapters in this guide are available in fillable PDF format at aamc.org/msar-resources.

WORKSHEET 10.1

Monthly Budget Worksheet

MONTHLY INCOME:

Financial aid _____
Investment income _____
Gifts _____
Other _____
Total Fixed Income _____

MONTHLY FIXED EXPENSES:

Tuition and fees _____
Books and supplies _____
Regular savings _____
Rent/mortgage _____
Phone _____
Taxes (federal, state) _____
Vehicle payments _____
Other transportation _____
Personal loans _____
Education loans _____
Insurance (life and health) _____
Home/renter insurance _____
Auto insurance _____
Auto registration/taxes _____
Other _____
Total Fixed Expenses _____

MONTHLY VARIABLE EXPENSES:

Food/household supplies _____
Dining out _____
Clothes _____
Laundry/dry cleaning _____
Gas, oil, auto maintenance _____
Parking _____
Medical/dental/eye care _____
Entertainment _____
Travel/vacation _____
Utilities _____
CDs/books/journals _____
Personal care _____
Subscriptions _____
Cable TV and internet _____
Credit card payments _____
Charity/contributions/gifts _____
Savings for interviews/relocation _____
Test prep course/materials _____
Exam/licensing fees _____
Other _____

Total Variable Expenses _____

Plus Total Fixed Expenses _____

Equals Total Monthly Expenses _____

Total Income _____

Less Total Expenses _____

**Equals Total Discretionary
Income (or Deficit)** _____