

## VI. The Types of Medical School Financial Aid



### ***Why do you need to know this?***

*Some forms of financial aid are more expensive than others. Some financial aid programs are intended only for students in the health professions. If you expect to fund your medical education with financial aid, you need to know what is available.*

While a premedical student, it is not too early for you to consider how you will fund your years in medical school. The more you integrate financial planning with career planning, the better prepared you will be to secure the funding you need. What follows is an introduction to the main types of financial aid. See Phase II, Section II of this manual for more detailed information on each type of aid.

According to the federal government, a family's income and savings are the primary resources for meeting a student's educational expenses. Many families, however, do not have the resources necessary to pay for the cost of attending a college or university. Financial aid is intended to make up the difference between the actual cost of education and what the family can provide.

### **A. The Types of Financial Aid**

There are three main types of financial aid: Gift, Loan, and Work.

1. Gift Aid. This is the best kind and is what most people think of when they think about financial aid. Scholarships, grants, awards, and prizes are the main forms of gift aid. Gift aid is awarded for three different reasons:
  - “Merit” gifts are awarded because the student performs at a high academic level.
  - “Need-based” gifts are based on the difference between the cost of the school and the amount a family can afford to contribute to the Cost of Attendance.
  - “Talent” or “Performance” gifts reflect the student's excellence in some area other than academics (for example, an athletic scholarship).

The source of gift aid can be the federal government, the state government, the school, or some other third party. Money received from “third parties” (e.g., foundations) is usually referred to as an “outside scholarship.” Although these outside scholarships tend to be small, a wide variety is available. One place for you to find outside scholarships is within your own community. Public libraries also have large books listing scholarships for different types of students. Typically, students must contact the programs listed in these books to request applications. You may also research Internet databases that list sources of scholarships. All of these resources may be accessed free of charge.

**Phase I**

2. **Student Loans.** In addition to the gift aid a student receives, students usually borrow money to help pay for their education. Student loans can be either need based or non-need based and may also come from a variety of different sources including the federal or state government, the school, or a third party. Although a number of loan programs exist, they can be divided into two broad categories, subsidized loans and unsubsidized loans.
  - Subsidized loans do not accrue interest while you are in school. These loans cost you less money.
  - Unsubsidized loans do accrue interest while you are in school. These loans are more expensive than subsidized loans.
  
3. **Work Programs.** Some students are able to work while enrolled. If they are employed in a program run through their school, their earnings become a part of their financial aid. Students are typically paid by the hour and use their wages to offset educational expenses.

**B. Researching Sources of Support**

In addition to the gift and loan aid available through the financial aid office at your school, financial aid is also available through “outside” sources. These outside sources include non-profit agencies, foundations, clubs, employers, churches, hospitals, and communities. These scholarships and loans have various eligibility requirements. They can be awarded to:

- Students who are interested in particular fields of study,
- Students who are members of underrepresented groups,
- Students who live in certain areas of the country,
- Students who have a family member employed by a company offering aid, or
- Students who demonstrate financial need.

The best resources for information on this type of assistance can be found in libraries, the financial aid office at your school, or on the Web. A word of warning: Do not waste your money on fee-based scholarship services. You will not get any better information than you can get from the free sources, and you may find yourself the victim of a scam.

**C. Service Obligation Programs**

This type of program requires a student to make a commitment of “service” to the organization providing the educational funding. Funding can be in the form of loans and scholarships, with scholarships being the more common. Most programs require one year of service for each year of funding. The best example is the Health Professions Scholarship Program (HPSP) offered by the Army, Navy, and Air Force. Service payback is done as a military medical officer. The U.S. Public Health Service offers the National Health Service Corps scholarship to medical students who commit themselves to practice primary care medicine in federally designated physician shortage areas for their service payback. Many states also have service payback programs.

*Phase I***D. Options for International Students**

The first thing you should do if you are an international student interested in attending a U.S. medical school is determine which schools admit international students. This information will be available in the Medical School Admissions Requirements handbook. Once you have determined which schools admit international students, you can investigate funding at those schools. Because sources of financial aid for medical students in the United States are limited, they are often restricted to U.S. citizens or students possessing a Permanent Resident Visa. International students are not eligible for any form of federal student financial aid. International students wishing to attend a U.S. medical school can consider the following suggestions for securing financial assistance:

- **Aid from Your Home Country**

Organizations in your own country are one source of financial aid to study in the United States.

Your own government may have financial aid available. Usually this support requires that you return home after your education is complete. Contact the cultural section of your embassy or your ministry of education for more information, since there are many awards that require you to be nominated by your government.

There may be private organizations in your home country that provide support for study in the United States. Businesses, foundations, and religious groups might have funds available. The nearest educational advising center may have information about local sources of support.

- **Aid from International Organizations**

Of the few private scholarships for international students, most require that you apply from your home country. If you are already in the United States you might not be eligible. You should search for financial aid before you arrive in the United States. Some international organizations offer funding for graduate students to study in the United States. These include the United Nations, the Organization of American States (OAS), AMIDEAST, the International Maritime Organization, the International Telecommunications Union, the League of Red Cross Societies, the Soros Foundation, the World Health Organization, and the World Council of Churches. These awards are extremely competitive.

- **Aid from U.S. Medical Schools**

International students who hope to enroll in a U.S. medical school should contact the schools that admit international students. Ask both the admissions office and the financial aid office about support for international students. Only a very few medical schools make institutional funds available to international students. Federal financial aid is not available to international students.

- **Aid from Private Sources in the United States**

There is very little financial aid for international students available from private sources, such as foundations and individual sponsors. Although you might be able to find a benefactor who will offer to sponsor your medical education, the chances of this are very slight. Sponsorship of this sort is much more common abroad than it is in the United States. You are more likely to find a sponsor in your home country than in the United States.

Some U.S. banks are willing to make educational loans to international medical students. Some of these loans are restricted to students from a particular country (e.g. Canada). Others will require a creditworthy co-signer who is a U.S. citizen. The best source of information on such loans is the financial aid office at medical schools that admit international students.

**Phase I**

International students hoping to enroll in a U.S. medical school should be aware that some medical schools that admit international students require them to document their planned source of support during their entire period of enrollment before they are able to matriculate. It may be necessary to place the funds for your support during your four years of enrollment in an escrow account.

**E. Funding for Combined-Degree Programs**

The most common combined degree programs in U.S. medical schools are those combining the Ph.D. and the M.D. degrees. Because these programs take longer than four years to complete, student funding often receives special attention. There are two main types of programs:

- **Medical Scientist Training Programs (MSTP).** Supported by the National Institutes of Health, these programs are found at approximately 32 medical schools. Admission is highly competitive. Those admitted receive a maximum of six years of financial support. This support includes tuition, educational expenses, and a living stipend. Other sources of support are commonly identified for students who take longer than six years to complete the program. Additional information about the MSTP is available in the MSAR and from schools offering the program.
- **M.D.-Ph.D. Programs.** More than 80 medical schools have programs that allow a student to earn an M.D. along with a Ph.D. in an area pertinent to medicine. The funding packages offered to students in these programs will vary from school to school. Some schools provide full support, including tuition, educational expenses, and a living stipend. Other schools may have more limited funding. A list of schools offering the programs is found in the MSAR. You should contact individual schools for more information on funding.

A smaller number of medical schools offer programs that combine the M.D. with degrees in law, business, public health, and other fields. Special funding is usually not available for students in these programs, but students can use financial aid to meet their expenses. Because the programs lengthen the time of enrollment, educational debt may increase. For more information, study the MSAR and the admissions materials of the various medical schools offering programs. Contact the financial aid office at the schools for information on funding.

**F. Alternative Approaches to Financing a Medical Education**

Alternative sources of financing their education may be available to enterprising medical students. What follows are a few of these possibilities:

- **Family Loans.** Many students no longer wish to be dependent on their parents or family for financial aid while in medical school. As a result, many whose parents may have the resources and the will to help still prefer to borrow from expensive, private student loan programs to help with educational expenses. While such independence is admirable, it may have the unfortunate aspect of increasing a student's overall debt burden. Another option students may wish to consider is the formal borrowing of funds from parents. This compromise step allows students to feel some degree of independence while offering relatively low-interest sources of loans. Students who wish to enter a formal loan obligation with a family member may wish to execute a promissory note binding the signatories and obligating the student as much as any other promissory note.

*Phase I*

- **Home Equity Loans.** Students who are homeowners, and who have considerable equity in their homes, may wish to consider a home equity loan as a substitute for borrowing unsubsidized or private loan funds. This option offers the borrower the additional benefit of a tax deduction on interest paid during the calendar year. Please keep in mind that this will increase your house payment during the time you are in school.
- **Other Service Contracts.** Another source of medical school funding allows medical students to secure sponsorship for their education through a hospital or group of physicians. This generally entails a legally binding contract between the student and the sponsoring entity and requires the student to return to that community, hospital, or physicians group after completing medical school and residency. The student may be required to train in certain fields of medicine and/or work in a physician shortage area for a specified period of time.
- **Loan Repayment Programs.** Loan repayment programs are entered into after the student has completed medical school and residency and is ready to enter practice. Therefore, they may best be thought of as part of a borrower's repayment strategy after graduation. More information on such programs is available in Phase III of this document. Applicants to medical school should be aware of this option. Most programs require that participants be general practitioners and/or be willing to work in a physician shortage area. Participants enter into a formal agreement with the program to repay a certain amount of student loan debt in exchange for a service commitment.