



Intro Slide: (MD)²: Monetary Decisions for Medical Doctors
Phase II—The Medical School Years

Speaker's Notes:

Monetary Decisions for Medical Doctors, or (MD)², provides financial guidance educational materials for use by premedical students, medical students, residents, and physicians in their early years of practice. These materials will allow individuals to acquire skills and develop long-term financial and personal plans in conjunction with their career plans.

Slide 1: Welcome to Medical School

Speaker's Notes:

Now that you have successfully completed the educational requirements for medical school and received your formal acceptance letter, it is important to take a look at the financial implications of the next four years. You will find the next four years to be very busy and somewhat challenging. Most of the stress related to finances can and should be avoided. Hopefully, along with preparing educationally for medical school, you have also been preparing yourself for how you will finance your education.

Slide 2: Where to Find Needed Advice

- Financial Aid Office (Financial Planning, Budgeting Issues, Scholarship Advice)
- Student Affairs Office (Career Planning, Academic Advice, Housing, etc.)
- Registrar (Transcripts, Registration Issues)
- Faculty (Career Planning, Experience in your Chosen Specialty, Life of a Physician)
- Peers (Personal Advice, General Support)
- Family (Personal Advice and Support, Financial Support)
- CiM Liaison (Career Planning and Specialty Choice)
- Web Resources – AAMC Student Financing Your Education Site

Speaker's Notes:

Several sources will be available to you for advice in medical school. An important point to remember is that when you are seeking advice about your medical school career, you should talk with people who have the relevant expertise. It is also important to build relationships with your advisors so that you feel comfortable and trust the advice given. While these sources can provide needed advice in their respective areas, many times they may also be able to offer guidance on other issues. For example, a faculty member may be able to provide advice on areas of the curriculum that you need to work on to prepare for medical licensure exams. In addition, they may also be able to provide valuable insight into the different lifestyles of each of the specialties. Your financial aid advisor is the best-equipped person to help find ways to fund your medical

education. Your financial aid advisor is the person most familiar with any new issues, legislation, regulations, etc. that may affect you.

Slide 3: How Much Money Will You Need?

$$\begin{array}{r} \text{Cost of Attendance} \\ \underline{-\text{Student Contribution}} \\ =\text{Remaining Need} \end{array}$$

Speaker's Notes:

Medical school is an expensive investment. The average debt for students graduating in 2002 was \$91,389 for public schools and \$123,780 for private schools. While this may seem daunting, default rates for medical school graduates are currently extremely low. To assist students with minimizing their debt level, each medical school financial aid officer establishes a budget (cost of attendance). The budget is comprised of tuition and fees, books and supplies, room and board, transportation and miscellaneous expenses. Budget components may differ from school to school. However, there are very specific guidelines as to what can and cannot be included. Tuition and fees are fixed, as they are established by the institution's governing board. The financial aid officer can use professional judgment when determining the remaining components of the "Cost of Attendance." Reasonable costs of attendance are derived from book lists, student surveys, the Bureau of Labor Statistics, community surveys, etc.

The Student Contribution figure in the formula is the figure that is calculated from the information provided on the Free Application for Federal Student Aid (FAFSA). The FAFSA is required by all schools and must be completed before any federal student aid dollars can be released. Some institutions will also require that students complete an additional institutional financial aid application.

"Remaining Need" is the amount not met by the student's own resources. Schools will try to address this difference with federal, state, institutional and private loans, and scholarships. Students are also encouraged to seek scholarships through outside sources, which include their communities, workplaces, benevolent organizations and various Web sites.

Slide 4: The Importance of Living on a Budget

(Page 29 Budget Worksheet can be displayed)

Speaker's Notes:

Working during medical school is virtually impossible. Most students rely primarily on financial aid rather than employment to meet their financial needs. Financial aid is normally disbursed at the beginning of each quarter or semester. Students must budget their funds so they are able to meet expenses between disbursements. Making a budget and sticking to it may be one of the hardest financial exercises some students experience. Some students may spend all of their funds at the beginning of the semester and then realize they do not have enough to complete the

semester. At times like this, some students turn to credit cards to supplement their budget. This can become a dangerous practice, leading to bad credit and serious financial difficulties. Students need to speak with their financial aid advisor at the first signs of financial difficulty. With a demonstrated need, some may qualify for a budget adjustment.

Slide 5: What Types of Financial Aid Are Available?

- Personal/Family Funds
- Federal Loans
 - Need Based: Stafford Subsidized, Perkins, Primary Care Loan
 - Non-Need Based: Stafford Unsubsidized
- Institutional Aid
 - Institutional Loans
 - Scholarships
- Service Based Scholarships
- Outside Scholarships
- Private Loans

Speaker's Notes:

Personal/Family Funds—The first source for educational funding is your family's resources. Most student resources are included in the Expected Family Contribution (EFC). This calculation is based on information provided on the FAFSA. Schools may also request parental information to determine financial aid eligibility.

Federal Loans—are funds provided by the federal government either directly or through banks. For some loans, such as Perkins, the school is considered the lender. Federal loans are categorized as need-based (subsidized loans) or non-need based (unsubsidized loans). Reconciling the cost of attendance and remaining need, your school will determine your eligibility for the various loans. Schools make every attempt to award as much need-based funding as possible. There are restrictions on the yearly amount of funds any one person can borrow from the programs as well as restrictions on the aggregate amount that can be borrowed from each program. Some loans have guidelines that require the school to consider parental data (such as the Loans for Disadvantaged Students) or have other criteria (such as the Primary Care Loan). Loans are the primary source of funding. Eighty-five percent of medical students receive some type of loan.

Institutional Aid—Private institutions often have significant discretionary funds to award. Since the sources of most institutional aid are in the form of endowments or donations, the criteria will vary. To award institutional aid, most schools will require parental data and a supplemental application which provides additional information to that provided on the FAFSA.

Service Based Scholarships—The National Health Service Corps and the Armed Forces Health Professions Scholarship Program are two examples of service-based scholarships. Both pay all, or a large part of, educational costs, including tuition, fees and living expenses. In return, students commit to serve for a period of time usually equal to the number of years of program

participation. Several states offer similar programs. Remember these programs involve a commitment of service and often a limit your choice of specialty.

Outside or Private Scholarships—Students are encouraged to seek private scholarships. Many scholarships are awarded on criteria that may include race, nationality, religion, personal interests, etc. Several resources are available to help identify these programs, including the public library and various Web sites.

Private Loans—Any remaining need can usually be met by one of the many private loan lenders. Credit rating counts, and many loans require a lender to be credit worthy. Students should examine their credit history to determine if there is anything that will make them ineligible.

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(MD) Phase II lists the three major credit reporting services. Students who are not credit worthy should contact their FAO for assistance. Many schools require a copy of a credit history to determine if their students are credit worthy.

Slide 6: Keeping Good Records: Following the Paper Trail and Making Good Decisions

- Lender/Servicer
- Rights and Responsibilities
- Loan Terms
- Total Debt
- Careers in Medicine <www.aamc.org/cim>

Speaker's Notes:

If you have not been a good record keeper up to this point, now is the time to start. It's extremely important to know from where your loans are coming and whom you'll be repaying.

Undoubtedly you will have access to forms or file folders from your lender or school to assist you with this process. Have the information regarding the current holder of your loan on hand. Often your lender is a different entity than the one to whom you make payments. While lenders are required to notify you when they sell your loan, it is easy to overlook this change and misplace the new information. It is important to have the most up-to-date information, not only for repayment, but also if you have any questions regarding your loan. When in doubt ask your FAO for help.

Some lenders may service your loan or they may hire an additional entity to service the loan. These servicers assist lenders by sending out payment notices, tracking deferment forms and making collections. Again it is important to know which servicer is linked to which lender.

Keep records of the rights and responsibilities associated with each of your loans. You have borrowed a large amount of money without any collateral. It is your responsibility to make sure that you keep lenders informed of any changes in your name, contact information and status as a student. It is your responsibility to file deferment forms on time and make prompt loan payments. This is where good record keeping makes life easier. Many of your lenders will offer deferment and forbearance opportunities and help you establish loan repayment plans that will permit you to maintain a reasonable lifestyle.

As you track your loans, monitor the interest rates associated with each loan and the types of deferments available after graduation. Know when deferment forms need to be filed and make note of the necessary qualifications and deadlines for deferment.

Additionally, be aware of the total debt that has been incurred as you progress through medical school. Financial aid offices may provide a yearly summary so that you know what your debt and repayment looks like at key decision points. This information is always available in your financial aid office. Loan calculators may be available on your lender's web site. You simply need to enter in your loan balance to receive a summary and payment schedule. When making your specialty choice, consider your priorities, personal needs and debt level (see Careers in Medicine Web site) as you plan your future.

Slide 7: How Much Should You Borrow?

Don't Live Like a Physician While You Are a Student So You Don't Have to Live Like a Student While you Are a Physician!

Please insert the loan calculator on page 38

Speaker's Notes:

Typically, borrowers are advised to keep their monthly payments within 8 – 10% of their monthly income. This ensures that borrowers have enough discretionary funds to cover other monthly expenses, including food, housing and transportation. Medical students should consider the effect their educational debt level will have on their lifestyle choices. Even though future income looks sufficient to cover medical school debt, will it also be sufficient to provide for the other expenses such as a home, car, family, practice opportunities, etc.? Controlling debt level as much as possible on the front end will afford you more practice and lifestyle choices on the back end. Take advantage of any financial planning sessions offered at your institution, and actively seek the advice of a financial planner once you begin your career as a physician.

Slide 8: Visit the Web Site

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(MD) : Monetary Decisions for Medical Doctors
<http://www.aamc.org/students/financing/md2/phase2/start.htm>