Money Management
For Entering Medical School Students

Entrance Interview
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AAMC
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Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of July 2015 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.

Agenda

Know The Details of Your Loans
Understand The Repayment Timeline
Borrowing Strategically
Have a Spending Plan
Protect Your Credit

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Education Debt Manager (EDM)

www.aamc.org/FIRST

Finding Your Federal Loans

To find your federal loans, you can use the Education Debt Manager (EDM) tool. This tool can help you understand your loan balances and repayment options.

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“Can Medical Students Afford to Choose Primary Care? An Economic Analysis of Physician Education Debt Repayment”

“The Details of Your Loans

Medloans® Organizer and Calculator

Finding Your Federal Loans

To access, provide your:

FSA ID (username/password)

Interest Rates ([15-16 LOANS])

DIRECT UNSUBSIDIZED LOAN

DIRECT PLUS LOAN

PERKINS LOAN*

5.84%

6.84%

DIRECT PLUS LOAN

* FPL Loans and LDS Loans are also at 5%.

Interest Rates ([16-17+ LOANS])

DIRECT UNSUBSIDIZED LOAN

DIRECT PLUS LOAN

PERKINS LOAN*

5.0%

? %

DIRECT PLUS LOAN

* FPL Loans and LDS Loans are also at a fixed 5%.
**Subsidized vs. Unsubsidized**

**Subsidy** [su-buh-dee] *noun*

Financial assistance granted by the government to cover accruing interest while in-school, in grace, or in a qualifying deferment.

Source: www.dictionary.com

**Capitalization**

Refer to page 12

Addition of unpaid interest to the principal

\[
\text{Principal} + \text{Interest} = \text{Larger Principal}
\]

<table>
<thead>
<tr>
<th>Amount</th>
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<tr>
<td>$240,500</td>
</tr>
<tr>
<td>$42,500</td>
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<tr>
<td><strong>$283,000</strong></td>
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</table>

**Debt Management Tip**

If possible, pay the interest on unsubsidized loans PRIOR to capitalization

**Questions?**

Please give us your feedback!
aamc.org/entrancetufts

**A Peek At Repayment**
Grace
Refer to page 19

The path for some loans

Grace
Refer to pages 13-14

Options During Residency
Refer to pages 17-19

Postpone Payments
Refer to page 22

Repayment Plans
Refer to page 22

Options During Residency
Refer to pages 21-27

Options During Residency
During residency, there are two choices:

- Postpone Payments
- Make Payments
- Select a Repayment Plan

Options During Residency
Two paths to choose from during residency:

- Postpone Payments
- Make Payments
- Deferment
- Forbearance

Postpone Payments
Must apply and qualify
Interest is waived on subsidized loans

Forbearance
Must request from servicer
Interest accrues on all loans
Medical Residency Forbearance available

NOTE: For more details, or to request a deferment or forbearance, contact the servicer of the loan.

Repayment Plans
The plan determines the monthly payments amount.

- Standard Repayment
  $3,220/mo
- Extended Repayment
  $1,920/mo
- Graduated Repayment
  $1,550/mo

*New borrowers on or after July 1, 2015 will have an IBR payment amount equal the PHEIE payment amount.
**Repayment Plans**

Refer to page 22

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Monthly Payment</th>
<th>Total Interest</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Repayment</td>
<td>$3,220 mo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extended Repayment</td>
<td>$1,920 mo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduated Repayment</td>
<td>$1,550 mo</td>
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<tr>
<td>Income-Contingent Repayment (CBR)</td>
<td>$670 mo</td>
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<td>Income-Based Repayment (IBR)</td>
<td>$430 mo</td>
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<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$290 mo</td>
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</table>

*New borrowers on or after July 1st, 2014 will have an IBR payment amount equal the PAYE payment amount.

Refer to page 22 Repayment Plans

Questions?

Please give us your feedback!

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Strategic Borrowing

- Financial aid office
- Family support
- Faith & civic organizations
- Military
- NHSC S2S program
- The cornerstone to avoid unnecessary debt
- www.aamc.org/stloan
- Hospital, county and state programs
- Income-Driven Repayment plans
- Public Service Loan Forgiveness

Alternatives to Borrowing

Refer to pages 33-34

Refer to page 35

Borrow Wisely

- Alternatives to Debt
- The cornerstone to avoid unnecessary debt
- www.aamc.org/stloan

Borrow Wisely

Refer to page 35

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Monthly Payment</th>
<th>Total Interest</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Unsub.</td>
<td>$530</td>
<td>$21,000</td>
<td>$61,000</td>
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<tr>
<td>PLUS</td>
<td>$560</td>
<td>$25,400</td>
<td>$65,400</td>
</tr>
<tr>
<td>Private</td>
<td>$760</td>
<td>$49,100</td>
<td>$89,100</td>
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</tbody>
</table>
How Will You Borrow?

Refer to page 36

Do NOT borrow just because you are eligible
- Borrow what you need, not what you want
- Decline loans that exceed your need
- Accepting loans may affect eligibility for other aid
- Avoid forfeiting low rate loans for higher rate debt

Financial Aid Fact

If a shortfall occurs, previously declined monies may be obtained – see financial aid for assistance

Living on Borrowed Money

The Total Cost
- M1 Gets Delivery Pizza (+ tip)...
  - $25.00
- After 4 Years of School
  - $32.00
- After 4 Years of Residency
  - $41.00
- 10-Year Repayment Term
  - $55.00+
- 25-Year Repayment Term
  - $84.00+

Questions?

Please give us your feedback!
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Have a Spending Plan
Have a Spending Plan

Refer to page 39

Spending Plan Steps

1) Put it in writing
2) Review it periodically
3) Make necessary adjustments

“Live like a student while you are a student…”

Have a Spending Plan

Refer to pages 39-41

UNLOCKS DEEPER INSIGHT INTO YOUR BUDGET

The Basics of Budgeting

Refer to page 39

Your Total Income

= Your Total Expenses

= Your Discretionary Income

The Basics of Budgeting

If Discretionary Income is “Significant”

‘Yes’ and ‘Yes’
Consider sending it back,
Or borrow less next semester

The Basics of Budgeting

If Discretionary Income is a Negative Number

Congratulations…
The purpose of your budget is served!
Review expenses and make adjustments.
Spending Wants: Leaks

Small amounts add up over time
It may not seem like much in the short term

- $5/day, 5 days/week
- $100/month, 10 months
- $1,000/year = $4,000

Consider the alternatives
Savings can also add up quickly

- $10/month
- $100/month, 10 months
- $100/year
- $400

Are Credit Cards Bad?

The Minimum Payment Trap

Refer to pages 49-51

$5,000 balance with an 18% interest rate
(Making minimum monthly payments)

Refer to pages 49-51

The Minimum Payment Trap

Questions?

We need your feedback, please!
aamc.org/entrancetufts
Credit: Understand & Protect

A FICO Score is Based On...

Refer to pages 43-44

Type of credit

Payment history

New credit 10% 10%

Length of history

35%

Amount owed

30%

15%

10%

10%

How to Improve Your Score

Refer to page 43

During medical school, be sure to:

Pay bills on time

Pay down debt on lines of credit

Apply for credit sparingly

Check your Credit Report

www.annualcreditreport.com

Support Along The Way

Support Along The Way

“An investment in knowledge always pays the best interest”