

## 5 Tips for Getting the Most Out of Your Medical School Loans

By Brooke Heath

Perhaps at this point in your life, you are an old pro at the student loan game, or maybe you are still just a rookie. Whatever the case may be, we want to help you get the most out of your medical student loans. Read on to learn information and useful tips that will help you save time, money, and sanity!

### Not All Loans are Created Equal!

The Declaration of Independence states that all men are created equal, but it doesn't say anything about all loans being created equally. This is important, especially for medical students, because all loans are *not* the same. Prior to signing any papers that bind you to a loan, it is critical that you do your research to determine the type of loan and the loan terms that are best for you.

There are several steps you will need to take to do this. First, assess your needs and educate yourself on the types of loans that are available. Look for a loan that best suits your needs, as the perfect loan will vary with each borrower. Will you be taking the route of federal loans, private loans or a combination of both? It is important that in deciding between the two kinds of loans, you understand the pros and cons of each. For example, did you know that private loans require a credit check? For those borrowers with less-than-ideal credit, perhaps a federal loan is your best bet. However, some federal loans, such as Perkins Loans and Subsidized Stafford Loans are need-based and are only granted to students with demonstrated financial need. However, if you can prove that you do in fact have a need for these loans, these loans are a great option. If your income exceeds the limits for need-based loans, then you would want to consider other federal loans or private loans.

### Federal Loans include:

- **Federal Stafford Loans (Subsidized and Unsubsidized)**
- **Federal Parent Loan for Undergraduate Students (PLUS)**
- **Federal Supplemental Loans for Students**
- **Federal Consolidation Loans**
- **Campus Based Programs (i.e. Perkins Loans)**

When you do find the loan that fits your needs, remember to always read the fine print before signing. It is important that you understand the terms that you are agreeing to. Also, while the thought of lenders just handing over thousands of dollars seems like magic, it is anything but. Keep in mind that eventually you will be expected to pay back all of the loans, plus interest, so do not borrow more than is absolutely necessary!

## Go Window-Shopping for Lenders

Most educated buyers would not walk into an auto dealership and drive off with the first car that they see. The majority of us would compare prices, look at different car makes and models, and search for the best deal. Borrowers should adopt the same strategy when searching for a lender. It just makes good sense to shop around and compare lenders to see who will give you the best deal. When looking for lenders, use the following guidelines to see how the lenders measure up:

- **Look for a lender who will offer a variety of flexible programs to choose from.** Competitive lenders will have different repayment options, low interest rates, customer incentives, etc.
- **Look for a lender who will guide you through the student loan process and answer any questions that you might have.** Lenders should take the time to lead you through the application and loan process, which will ensure that you understand every step. It should be a red flag if a lender doesn't seem to know what he or she is talking about, or if they don't seem to care enough to try and help you understand what is going on!

Finally, if you are not satisfied with the amount you receive on your loans, negotiate with your lenders. If you need more money than you are allotted, talk to your lender about your need for more money. Lenders make their money off of the interest that you pay, so the more money that they hand out (within reason), the more money that they will make.

## Consolidate and Save!

Recent grads are always looking for a way to save some money, and consolidating your medical school loan debt is a perfect way to do that! Consolidating your outstanding medical student loans will allow you to have just one, low monthly payment to just one lender. It is also a great way to improve your credit score. When you consolidate, your multiple student loans are paid off and you are left with only one open account. One loan on your credit report is better than several outstanding student loans that you may have had. Therefore, your credit score is improved. Here are some ways that you can get the most bang out of your consolidation loan buck.

Look for a lender, shop around, and compare consolidation companies. Seek a company that offers low interest rates and will answer questions that you have about the consolidation process. Also, look for a company that has flexible repayment options. Medical School Loans offers several repayment options that allow you to pay just the interest for a few years to accommodate your income when you're just out of school. Also, if possible, consolidate your loans while you are still in your grace period! This will

allow you to lock-in a lower interest rate than the terms you would get after your grace period is over.

Look for a company that can do both a federal loan consolidation as well as a private loan consolidation. It is possible to do consolidations on both federal loans and private loans together, but it's not really to your advantage because your federal loans will lose their federal benefits. Most consolidation companies won't allow borrowers to consolidate the two, and even if you find one that does, you will most likely be giving up perks such as your grace period and deferment and forbearance options. Consolidating all of your federal and private loans into two separate consolidations will still save you thousands of dollars over the life of your loans.

In addition, take advantage of borrower benefits that many consolidation companies offer, but be leery of companies that offer cash rebate incentives as opposed to interest rate reduction incentives. Cash rebates may seem appealing now, but they are nowhere near as beneficial as interest rate reductions. Medical School Loans offers a borrower benefit of saving .25% off of your interest rate by paying with auto-debit, as well as an additional 1% rate deduction after 36 consecutive payments. To illustrate just how advantageous these Medical School Loans borrower benefits are over a competitor's cash rebate incentive, let's look at the following example. Assume a borrower has an accrued medical student loan debt of \$56,000. A consolidation company offers a 2% cash rebate after 9 consecutive payments, which would equal \$1,120 to the borrower. This seems like a lot of money. However, if this particular borrower were to take advantage of the borrower benefits that Medical School Loans offers, they could be saving \$18,043 over the life of the loan!

Finally, choose a consolidation company that does not have prepayment penalties. Paying more than your monthly payment will minimize your principal and shorten the length of your loan repayment term.

### **Be Forgiven and Forget about Your Loans!**

In the medical field, there are forgiveness programs offered to compensate part or all of your medical school loans. These programs are provided by the federal government, state government, military and other organizations and agencies throughout the country. They offer part or full reimbursement on medical school loans in exchange for a commitment from new physicians to practice in a field or area pre-determined by the organization. These forgiveness and repayment programs are very similar to scholarship programs. Each organization's criteria, the amount that they offer to pay and the length of time they expect you to commit differs depending on the organization. These programs can range from serving in the Army Reserve to doing AIDS Research for the National Institute of Health. For more information go to the Association of American Medical Colleges' website: <http://www.aamc.org/students/financing/repayment/>

## **Deferment and Forbearance to the Rescue**

Whether you have federal loans, private loans, or consolidated loans, if you are unable to make your payments, contact your lender immediately. There are deferment or forbearance options that could temporarily postpone your monthly payments.

Deferment is temporary financial relief that is available to borrowers who, for a variety of reasons, cannot make their monthly student loans payments. Deferment allows the borrower to defer principal and interest payments for a specific period of time after the grace period has ended. Do not be confused by deferment—interest on unsubsidized loans will still accrue even while the loan is in deferment. The interest will be added to the principle balance of the loan.

Forbearance is generally used when a borrower is unable to make his or her monthly loan payments due to financial hardship. Borrowers who have used up all of their deferment options usually request forbearance. Like deferment, interest will still accrue and will be added to the principle balance of the loan.

If you are granted deferment or forbearance, do not drag it out longer than necessary because interest will still be accruing on the balance and will quickly start to add up. Also, if forbearance is necessary, consider it only for your federal loans, and continue making the monthly payments on your private loans. Private loans tend to have a higher interest rate, so this will save you money in the long run.

## **Ease the Debt Burden**

Medical school is hard enough. Don't make things harder by using the wrong financing options to pay for your education. Dealing with taking out medical student loans and repaying them is a large burden to bear. Medical School Loans has provided these tips and information to help ease some of this burden. Let Medical School Loans help you with all of your student loan questions. Call (800) 680-7197 to have one of our educated specialists assist you with consolidating your student loan debt today!