

## Medical School Students Fill in the Financial Aid Gaps with Private Loans

By Brooke Heath

In a perfect world, those who wanted to gain an education could do so with no strings attached. There would be no costs involved with furthering one's knowledge, and no debt to repay after the education is attained. Unfortunately, the world we live in is far from perfect.

Those who wish to gain a medical degree in order to aid others and save lives are usually hit the hardest when it comes to the monetary costs of pursuing their degrees. The cost of medical school is expensive. According to the Association of American Medical Colleges (AAMC), the mean cost of attending medical school for this 2006-2007 school year will be \$37,629 for in-state public medical schools, and \$55,377 for in-state private medical schools!

Another unfortunate fact is that in most cases, federal financial aid alone will not compensate for the high costs of attending medical school. Many medical students are falling back on private or alternative loans to fill in the gap left between the amounts of funding that they can receive from grants, scholarships and federal loans and the costs of attending medical school. Private loans, or alternative loans, are funded by private financial institutions such as banks, schools, etc, and are becoming a growing industry and popular source of educational funding.

### The Pros and Cons of Private Loans

In addition to filling in gaps left by lack of financial aid or federal loan limits, private loans also offer other advantages in comparison to federal loans, credit cards and other sources. (As a note, the following advantages pertain to private loans in general. Most lenders will offer these benefits, but it is not guaranteed. Shop around to find a lender that will offer you the best benefits.)

One of the largest advantages to taking out private loans is that borrowers can apply at any time. Unlike federal loans, there are no deadlines or windows in which one can apply. Borrowers may apply for private loans whenever the need arises. Also, private loans do not require lengthy paperwork or long applications like the FAFSA. Some lenders can tell you over the phone—within minutes—whether or not you qualify and what your interest rates will be.

Usually, private loans offer much higher loan limits than federal loans. Some private lenders offer over \$40,000 each year. In addition to the higher loan limits, some lenders

also offer borrower benefits, such as interest rate reductions or rebates. Also, some private lenders offer longer grace periods of up to 12 months, where as federal loans range from 6-9 months, depending on the type of loan.

Some students face the dilemma that they or their parents have too large of an income to qualify for federal financial aid, but do not have enough money to pay for schooling without outside assistance. Private loans can help with this scenario in that they are not disbursed based on need. Therefore, regardless of the amount of money that the borrower or the borrower's parents make, they can still qualify to take out a private loan.

Private loans are disbursed more quickly than federal loans. Also, Private loans may be disbursed directly to the borrower, as opposed to federal loans. This gives the borrower quick and easy access to the funds.

Borrowers can use the money from their private loans to pay for tuition, fees and housing as well as any additional educational costs that students might not have factored into their initial funding needs, such as computers, supplies and other everyday expenses related to education. Students who wish to study abroad may also use their private loans to fund their schooling abroad.

Students may find that they have more freedom to attend the schools that they want to with private loans. This is because most private loans do not require school certificates through Title IV of the Higher Education Act, unlike federal loans.

International students who will not be able to qualify for federal loans have an option to pay for schooling in the united states with private loans. Some private lenders allow for international students to apply for private loans with an eligible U.S. resident who will cosign with the student.

Private loans are not only for students, but also for parents. Parents of students can take out private loans for the educational purposes of their student(s). However, parents will not have a grace period prior to repayment.

A disadvantage to private loans is that they are unsecured loans that usually have high interest rates and fees attached to them. They are also credit-based, which can be bad for those with no credit or poor credit. However, most lenders allow for cosigners to assist potential borrowers in qualifying for private loans, as well as improving the interest rates attached to the loan. Taking out a private loan with a cosigner is also a way for potential borrowers who have not yet established credit to establish a credit history.

## **Requirements for Private Loans**

Student borrowers must be enrolled at college at least half-time in order to participate in a Private Student Loan Program. Other requirements include being enrolled at a school approved by the Education Resources Institute (TERI) in either a degree or certificate program.

## **Private Loan Consolidation with Medical School Loans**

To assist private loan borrowers in saving thousands of dollars off of their loans, Medical School Loans offers our Private Loan Consolidation program. Medical School Loans offers competitive interest rates and repayment options. We also offer appealing borrower benefits, such as an immediate 0.25% interest rate reduction when borrowers enroll in our automated debit payment program. It is also to borrowers' advantage to consolidate their private student loans with Medical School Loans, in that we offer a thirty-year maximum repayment term, regardless of the loan balance.

Our application process to consolidate your private medical student loans is quick and simple. With just a short phone call, our dedicated agents will be able to determine a potential borrower's eligibility for a private student loan consolidation with us. Within minutes and a quick credit check, our agents will also be able to tell a borrower their interest rate, consolidation loan limit, the amount that the origination fee will be, as well as information on money-saving borrower benefits.

Medical School Loans also gives borrowers the option to save up to .75% more off of their interest rate by adding a cosigner to their Private Loan Consolidation. However, the borrower must qualify for the consolidation based on his or her own credit worthiness prior to the cosigner being permitted.

## **About Medical School Loans**

Medical School Loans is dedicated to assisting medical school students and physicians with financing their medical school expenses and managing their educational loans. We are committed to helping medical students reach financial success. At Medical School Loans, we realize that the burden of student loan debt that medical school students and physicians carry is much heavier than that of the average student or working professional. Because of this burden, we work hard to quickly and accurately process our consolidation requests to help our clients start saving money now! Medical School Loans only offers these services to physicians and medical school students. By concentrating our efforts on only those in this influential field of study, we are able to put forth a higher standard of service, therefore, setting the bar for the medical student loan and consolidation industry.

## **Only Borrow What is Necessary**

Due to the high interest rates that go along with private loans, borrowers are encouraged to exhaust all federal financial aid options prior to taking out private loans. However, when all federal options are drained, private loans are a great way to finish paying for medical school. Regardless of the type of loan that is chosen, borrowers should only borrow as much as absolutely necessary, because eventually, all of the loans will need to be repaid with interest.

For more information regarding medical schools, and the costs involved, go to [www.aamc.org](http://www.aamc.org)