What You Should to Know about Medical School Private Loans

Private medical school loans are borrowed from private institutions, namely banks or finance companies. Private medical school loans vary in multiple ways from federal government medical school loans. For example:

- Private medical school loans are generally are credit-based, where as federal loans are not.
- Private medical school loans offer higher loan caps than federal medical school loans.
- There is a grace period of 6 months to a year, depending on the lending institution's policies, with private medical school loans.
- Interest rates vary on private medical school loans, and are usually based on the Prime Rate or LIBOR index.
- Private medical school loans are not need based. This means that if you have too much money to qualify for federal financial aid, but not enough to pay for school, you can still receive a private medical school loan.
- The money paid towards interest on a private medical school loan is tax deductible.

Private medical school loans can come from a variety of lending institutions, all who have different terms of agreement. There are many aspects to consider when shopping around for private medical school loans. For example:

- **Origination Fees** – a one-time charge that is based on the size of the loan and maybe be dependent upon your credit rating

- **APR (Annual Percentage Rate), or the Variable Interest Rate** – is based upon the credit score of the applicant; the rate tied to the Wall Street Journal, Prime Rate and other financial services; and an overhead charge that varies by lending institution

- **Monthly Payment** – the amount of your loan that you pay off monthly. This could include origination fees and interest

It is important to analyze and compare all aspects of loans. Do not sign for a loan just because it claims to have the lowest initial rates. Other loans might have higher rates but have better incentives that could save more money in the long run.

The money from private medical school loans is typically dispersed to the borrower in two ways. First, it could be sent directly to the school where it is distributed out to pay for varying parts of the student's education. A benefit in using this option is that the school will certify the borrowing amount. However, the money will generally take longer to get to the school. With the second option, the money is sent directly to the borrower. Typically, this option allows the borrower gets the money faster – usually within a few days.

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However, this option also carries the risk of over-borrowing and misuse of the funds, but many times the quick accessibility of the money is worth the risks.

Again, weigh your options to ensure that you receive the private medical school loan that best suites your needs.