What medical students should do to best prep for loan repayment

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Tracking your finances as a medical student may seem lofty, but doing so can help you understand your future obligations, particularly when it comes to loan repayment. A recent webinar hosted by the AMA Medical Student Section as a part of National Medical Student Advocacy Week looked at the loan repayment landscape and how medical students can take steps to develop a repayment strategy in advance of residency.

Here are four key takeaways from the event.

**Strategic borrowing**

The vast majority of medical students are going to need at least some loans to help finance their undergraduate medical education. Yma-Richel Nabong, director of financial aid services at the University of California, Irvine’s College of Medicine (UCI) touted borrowing strategically to keep that number as low as possible.

To do that, it helps to understand expenses you might need to address in the years ahead.

“Anticipate possible longer academic years,” Nabong said. “For example, at UCI our MS2s and MS3s have a summer term, so obviously there are going to be some summer fees there to consider. Looking ahead at your MS4 years there are residency interview expenses that also might need to be accounted for. Looking ahead you might want to save some, so you aren’t requesting loans to pay for that.” Learn with the AMA about three tips to help resident physicians attain financial wellness.

**Budgeting is best**
Planning ahead for future expenses might require spending less in the present. For medical students, Nabong said the best practice is simply to create a budget—and stick to it.

“What I always advise for medical students is to first understand what your funds are and then create a budget and budget accordingly based on your enrollment plans,” Nabong said.

“When you follow a budget, you are not overspending. You are only spending what you need and you are intentionally not overspending.” You made it—it will your wallet? Find out how to budget during physician residency.

Don’t go it alone

As you approach medical school graduation, you will be charged with picking a repayment program. That could include preparing for the Public Service Loan Forgiveness program, which allows loan forgiveness for physicians working in non-profit or government settings for 10 years. “You do have resources to reach out to as you get ready for loan repayment,” Nabong said. “There is the financial aid office at your school that can provide one-on-one counseling for you. As you get ready to pay, go to studentaid.gov. They will tell you who your loan servicer is … and when the time comes your loan servicer will help guide you in finding the right repayment program for you.”

Understand circumstances

When you graduate medical school, residents with federal loans have six months until their first loan payments are due. From there, many new residents and young physicians ask the question “what should I pay first,” according to Sharlene Tullao from S.M.A.R.T Dr., a company that advises physicians on finances.

“It’s always going to depend on your situation,” Tullao said. “Should you pay off your debt first or should you start paying a portion of your debt and save? We have met some graduates that are single, some are married and have a spouse earning good money, so these situations really are different.”

Determining your best course of repayment is largely going to be determined by your cashflow, she said.

As you chart your repayment options, Tullao touted a financial needs analysis. Among the key needs that type of analysis can yield are an understanding of the need for an emergency fund and an assessment of any bad debt from high interest credit cards.
Check out this great to-do list for young physicians to get their finances on track.

More about loan repayment

Read more about AMA policy on medical education costs and student debt, last updated in 2021. Also learn about the AMA’s support for congressional legislation to enable a 401(k) match for doctors paying off student loans and to give borrowers interest-free deferment on their student loans while in residency training.

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