
Financial Aid for Medical School



Accepted Students Day

March 12th, 2011

Daniel Hewitt
Director of Financial Aid

Good morning everyone! Welcome! My name is Daniel Hewitt and I'm the Director of Financial Aid here at VCOM. I know I've talked to some of you already, and Eloise and I are looking forward to working with everyone for the next four years.

Agenda



- Costs at VCOM
- Financial aid options and why loans are good, realistic options
- Budget planning and repayment options that are manageable

For our time this morning, I'm going to hopefully ease any fears and concerns you have about the cost of four years here and the options available to you. I know we have a broad group in terms of where you are in the financial aid process. Some of you just got offered admission to VCOM in the last month, some have maybe never applied for financial aid before, while others of you have already completed your applications. I'm going to start at the beginning, so for those of you that are past the beginning already, just be patient with us.

As I talk to new students each year, I've noticed that there seem to be two common groups of you. Some of you have never used financial aid before and may be a bit concerned with the process and with the idea of using loans at all, regardless of the amount. Maybe you got through undergrad without using loans and you just really don't like the idea of going in debt for school. You're the ones that ask: Aren't there scholarships available? What about service contracts? Will the fact that I made \$5,000 last year stop me from getting any aid? For you, I'm going to briefly explain the financial aid eligibility process, what your aid options are, and maybe most importantly, why the federal student loans are a good, realistic option for covering your costs.

Then there's the group of you that have accepted that you're going to take loans, but you're concerned by the sheer size of them for medical school. You're the ones asking questions like: How am I ever going to repay this? Will this large debt cause problems for me with getting a house later? Will I have to change my specialty just to repay my loans? For you, I'm going to explain the nice repayment terms that the federal student loans offer and suggest a few ways you can keep your borrowing to a minimum.

My goal with you is to get everyone to a middle ground of sorts. The reality is that most of you here will use student loans at some point. So I want you to be comfortable with them and feel like they're a reasonable option. But I also want you to be thinking about what you spend money on and how you can keep your borrowing in a reasonable range.

Costs At VCOM



| | |
|--|-----------------|
| ■ VCOM Tuition | \$35,277 |
| ■ Comprehensive Fee | \$ 828 |
| ■ Living and Other Educational Expenses (see expense estimates below) | \$26,902 |
| ■ Total Cost of Attendance | \$63,007 |

| | | | |
|-------------------------------|----------------|----------------------------------|----------------|
| SUPPLIES AND EQUIPMENT | \$3,290 | TRANSPORTATION AND TRAVEL | \$3,000 |
| HOUSING | \$8,610 | MEDICAL EXPENSES | \$2,234 |
| UTILITIES | \$3,036 | PERSONAL EXPENSES | \$3,264 |
| MEALS | \$3,468 | | |

Now if you remember back to your interview day, right before lunch and your tour of the building, we started talking about financial aid by talking about costs. We like to get that out there right at the beginning so we have a goal to focus on. We figure, on average, about \$67,000 a year for total costs, including tuition, fees, books, supplies, housing, transportation, and other living expenses. For four years, that's about \$268,000. For most people, that seems like just a huge amount. And we don't have too many students that can write a check for that amount each year. There are definitely options though, so we don't want anyone thinking that medical school is impossible because of money.

Many of you have asked at various times about what's included in that \$67,000 figure. Here is the Cost of Attendance estimate for the OMS1 Class for this year: 2010-2011. The Cost of Attendance estimate for you for next year will be set at the end of this month and we'll publish it on our website for you then. Once the Cost of Attendance is set, it will be the basis for your financial aid calculations next year.

Your Cost of Attendance gives you a good idea of your expected costs for the year, and it also sets the upper limit on the total financial aid you can receive in each year.

Financial Aid Options



■ Scholarships

- VCOM's website: <http://www.vcom.vt.edu/financial/>

■ Service Contracts

- National Health Service Corps (NHSC) Scholarship Program
- Military Health Professions Scholarship Program (HPSP)

■ Students Loans

- Stafford
- Graduate PLUS
- Private

To cover those costs, you've got a few options available to you.

Scholarships are a possibility. There aren't a lot of scholarships available to medical students, but we do keep a list of some on our website here. We also have links to other free scholarship search sites. At this point in the year, many scholarships have application deadlines that are very quickly approaching. I highly encourage you to look soon, if you haven't already, to be sure you don't miss any deadlines.

A second possibility is a service contract of some kind. The National Health Service Corps Scholarship Program and the military's Health Professions Scholarship Program are two of the most common. Service contracts are agreements where an organization gives you scholarship money now in exchange for a commitment from you to work for them following graduation or residency. In terms of dollar amounts, service contracts are typically the larger programs available. We have information about both of these programs on our website as well. At the Information Fair later today, we'll also have representatives from four of the military branches available to talk with you about their programs.

And then finally, you've got the possibility of using loans. The main loan types are the federal Stafford and Graduate PLUS loans, and then Private loans outside of the federal system.

Applying For Loans



- 2010-2011 VCOM Financial Aid Application
<http://www.vcom.vt.edu/financial/>
 - 2010-2011 Free Application for Federal Student Aid (FAFSA)
<http://www.fafsa.ed.gov>
 - Loan applications
-

For the loan programs, you do have to complete several applications. First, you need to complete a 2011-2012 VCOM Financial Aid Application, which is on our website. Second, you need to complete a federal FAFSA form, which is available on their website at www.fafsa.ed.gov. And then finally, after those are processed, you may need to complete one or more loan applications, depending on the loan types you choose to use.

The VCOM Application is fairly simple. It's a .pdf file, so just download, file it in, and send it back to us.

The FAFSA is more detailed and does ask a lot of tax questions. It will be much easier to complete if you have your tax return with you when you try to complete the FAFSA. The FAFSA actually gives you the line numbers from the tax return that you need to look at for each question. The FAFSA and any loans that you receive are student records. By simply being in a graduate level program, you are considered an independent student for financial aid purposes, regardless of your age, your financial stability, or whether or not your parents claim you as a dependent on their taxes. The FAFSA is submitted to the Department of Education. They will do some processing on it and then forward your answers and the processing results to us here.

Loan Eligibility



1. Subsidized Stafford loan (if EFC is not greater than Cost of Attendance)
 2. Unsubsidized Stafford loan
 3. Graduate PLUS or Private loan
-

When we get your VCOM Application and your FAFSA, we check them to make sure all your answers look correct. If we've got any questions at this point, we'll let you know. We usually do that using your VCOM email address, so please watch that account. Most of the time all the answers are fine and we move on to determining which loans you're eligible for and how much you're eligible for in each loan type. The determination is based on the Cost of Attendance figure from earlier and your Expected Family Contribution (EFC) number from your FAFSA results.

The method looks something like this. We always start with the Subsidized Stafford loan first. Then we move on to the Unsubsidized Stafford loan. And finally, we look at a Graduate PLUS or Private loan. Subsidized Stafford loans are affected by your EFC, but because of the high Cost of Attendance for medical school, almost all students qualify for them. Unsubsidized Stafford loans, Graduate PLUS, and Private loans are *not* affected by your EFC. You can get those loans even if your EFC is 99,999.

Stafford Loans



■ Subsidized Stafford loan

- ❑ Fixed 6.8% interest rate
- ❑ Government pays the interest for you while you're in school or on deferment
- ❑ Maximum amount of \$8,500 per year

■ Unsubsidized Stafford loan

- ❑ Fixed 6.8% interest rate
- ❑ Interest starts accruing right away
- ❑ Maximum amount of \$47,167 (\$38,667 if \$8,500 Subsidized Stafford loan is also used)

We start with the Subsidized Stafford loan and move down because that's the best loan for you. Subsidized Stafford loans technically have a fixed 6.8% interest rate, but that interest is paid for you by the government as long as you are in school or on deferment. So effectively, Subsidized Stafford loans are interest-free while you're in school.

Unsubsidized Stafford loans have the same 6.8% fixed interest rate, but they start accruing interest right away. You don't have to begin making payments right away, but the interest is calculated and accrued.

Both types of Stafford loans do not require any kind of a credit check for approval, so just about any of you that want a Stafford loan and complete the applications can get one.

Graduate PLUS and Private Loans



- Graduate PLUS loan
 - Fixed 7.9% interest rate
 - Interest starts accruing right away
- Private (Alternative) loan
 - Variable interest rate, based on your credit score and the market rate, adjusted quarterly
 - Interest starts accruing right away
- Maximum amount for either loan is
Cost of Attendance minus other aid

Graduate PLUS and Private loans have higher interest rates than the Stafford loans, so they're at the bottom of the list. You only want to use these loans if the \$47,167 in Stafford funds isn't enough. Both of these loan types also require a credit approval to get the loan. Graduate PLUS loans are federal loans, like the Staffords. They are issued at a fixed 7.9% interest rate and that interest starts accumulating right away, just like the Unsubsidized Stafford loans.

Private loans are always issued at a variable interest rate. That rate is based on your credit score and on the current market rate. With most lenders, they change the rate quarterly, so it's impossible to know exactly what rate you'll get without applying with them.

There is no fixed maximum amount for either of these loans. The only limit is the Cost of Attendance. So you can use a Graduate PLUS or Private loan to make up the difference between your costs and the \$47,167 Stafford amount. You can use either a Graduate PLUS or a Private loan each year, but not both. There are some cases where you might want to use a Private loan instead of a Graduate PLUS loan, but in most cases, the fixed rate and other federal conditions on the Graduate PLUS loan will make it a better choice for you.

Loan Applications



- Processed through the Direct Lending system
- Stafford loans only require an Award Letter response
- Graduate PLUS loans require an application through the Direct Loans website
- Both loan types require Master Promissory Notes (MPNs) through the Direct Loans website

We're planning to start sending Award Packages out by the end of April. Once you've gotten your Award Package from us, looked at your expected expenses, and decided how much to borrow, you may need to fill out some additional paperwork. Stafford and Graduate PLUS loans will be processed through the Direct Lending system. In that system, you do not need to complete a loan application for Stafford loans; only for Graduate PLUS loans. All of the loans, including the Staffords, do require you to complete a Master Promissory Note.

For the Graduate PLUS and Private loans, the loan application gives your lender your basic information, indicates how much you want to borrow, and gives them permission to check your credit history. You will have to do new loan applications each year for these.

The MPNs are the official documents committing you to the loans. A loan application isn't any good until the MPN has been signed as well. MPNs are valid for 10 years from the time you sign them, unless you revoke them in writing. That means you only have to complete a new MPN for us once while you're here, unless you've been in school more than 6 years already.

Your loan paperwork will be reviewed by us and your lender and you will be notified once your loans are approved. Since the Stafford loans are practically guaranteed to you and the Graduate PLUS and Private loans are available with at least a respectable credit history, getting loans shouldn't be a problem. On the one hand, that's good. You can put aside worrying about whether or not you'll have the money.

Borrowing Responsibly



The approximate cost of your education:

| | Year 1 | Year 2 | Year 3 | Year 4 | Total |
|---|----------|----------|----------|----------|-----------|
| Annual Stafford Limits | \$47,167 | \$47,167 | \$47,167 | \$42,722 | \$184,223 |
| Graduate PLUS | \$15,840 | \$16,493 | \$21,649 | \$20,145 | \$74,127 |
| Maximum Stafford & Graduate PLUS | \$63,007 | \$63,660 | \$68,816 | \$62,867 | \$258,350 |

- Stafford – 6.8% fixed
- Graduate PLUS – 7.9% fixed

But on the other hand, that makes it easier to just take the maximum amount each year without really thinking about your costs. When you're deciding on your loans each year, you want to reduce your borrowing wherever you can so you don't have as much to pay back after graduation. Let me give you an example.

This chart is based on our Cost of Attendance estimates for all four Classes for 2010-2011. If we look at the maximums you could take out, every year for four years, you could leave here with \$258,350 in loan principal after graduation.

The Long-Term Cost



- Borrower 1 is financing to maximum Stafford loan limits and supplementing with Graduate PLUS
- Borrower 2 is financing as above, minus \$5,000 each year in Graduate PLUS

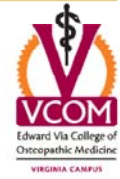
| | Principal balance | Balance at graduation (after interest capitalization) | Total loan cost based on a 25-year repayment term |
|---|-------------------|---|---|
| Borrower 1: Max. Stafford & Grad PLUS | \$258,350 | \$294,250 | \$631,170 |
| Borrower 2: Less \$5,000 of Grad PLUS & Stafford | \$238,350 | \$270,695 | \$577,094 |
| Difference | \$20,000 | \$23,555 | \$54,076 |

- These examples assume immediate repayment (25 years) after six-month grace period

\$258,350 in loan principal is shown as Borrower 1 in this chart. Now first, look at the total loan cost for that \$258,350 over 25 years. Clearly, you want to get that lower if you can.

Borrower 2 on this chart is calculated the same way, but for a student that takes out \$5,000 less than the maximum each year. So for four years, you manage to take out \$20,000 less than the maximum. <<CLICK>> But over the 25 years of repayment, that \$20,000 becomes a savings of \$54,076 because of the interest you're not paying.

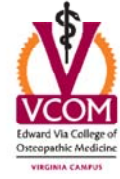
Breakdown



| | Principal balance |
|------------|-------------------|
| Difference | \$20,000 |
| Yearly | \$5,000 |
| Weekly | \$96.15 |
| Daily Cost | \$13.69 |

So what's \$5,000 a year really mean? <<CLICK>> Well if you break it all the way down to a day-by-day level, it's just \$13.69 per day.

So ...



If you can adjust your expenses by less than \$14 a day for the next four years, you could save yourself \$54,076!

So, if you can find \$5,000 a year in scholarships, or adjust your expenses by less than \$14 a day for the next four years, you could save yourself \$54,076 in the long run.

Determine Your Income



- Employment
 - Personal savings
 - Family support
 - Financial aid funds
-

The trick to saving that \$13.69 each day is to have a budget for yourself that is reasonable and that you can live with. If you manage your expenses well, you should be able to borrow less at the beginning of the year and not be running out of money before the next financial aid disbursement. We only disburse loans twice a year: in August and in February. So your refund check each term needs to last you through an entire 6 months.

The first year can be a little tricky to budget for because you're new to the area and new to medical school, so you may not have a good idea of what it's going to like here financially. You *can* do a couple of things though.

Start by identifying your income sources. Employment – not likely. Personal savings and family support – maybe. And then certainly any financial aid you're receiving.

Identify Your Expenses



Fixed Expenses:

- Tuition and fees
 - Rent
 - Child care
 - Taxes
 - Insurance premiums
-

Next, you want to identify your expenses. It generally helps to separate your fixed expenses from your variable expenses. Fixed expenses are ones that you can't do much of anything to change. Tuition and fees, for example. Rent also fits in this category, since you can't change it once you've signed that lease.

Identify Your Expenses



Variable Expenses:

- Utilities
 - Food
 - Clothing
 - Transportation
 - Other living expenses
-

Variable expenses are ones that you *can* change, to some degree. Clearly you need heat, electric, and water. You also need food, but you don't need steaks every night. So there's a range to all of these expenses.

Once you've got your income and your expenses identified, then it's just a matter of comparing the totals to be sure you're in the clear. If they don't match and you're spending more than you've got coming in, then these variable expenses should be the first places you look for ways to reduce your spending.

Cost of a Daily Latte



| | |
|------------------------------------|---------|
| Daily | \$4 |
| Weekly | \$20 |
| Monthly | \$87 |
| Annually | \$1,040 |
| Cost over 4 years | \$4,160 |
| Repayment over 25 years at 7.9% | \$9,551 |

Have we got many coffee drinkers in here? Not many. Yet. Maybe more by this time next year.

Well for an example, let's say you're going to Starbucks every day for coffee. Pretty much every latte or cappuccino on their menu costs about \$4 now. So every day, you spend \$4 on coffee. <<CLICK>> That's \$20 a week; about \$87 a month; \$1,040 a year. Over four years, that's over \$4,000 just for coffee.

Now what if you were buying that coffee from Graduate PLUS loan funds? It's a loan, so you've got to repay it. <<CLICK>> Over 25 years, like our previous chart, at 7.9% interest, with capitalization after graduation, you'll end up paying about \$5,391 in interest on that. So all together, that daily cup of coffee cost you a total of \$9,551.

So clearly, even a small change in your lifestyle can have a pretty substantial change on your borrowing needs when you make that change stick every day.

Loan Repayment



■ Repayment Plan Length

- Normal = 10 years
- Extended = up to 25 years

■ Repayment Plan Type

- Standard – fixed, equal monthly payments
- Graduated – lower initial monthly payments, higher monthly payments later on

I want to finish up this morning talking about repayment a little bit. I know that's a *long* way away for you all at this point, but we really want you to get in the habit of thinking about your loans as a total picture. The federal loans, Stafford and Graduate PLUS, all have the same options when you get to repayment. Private loans are not regulated the same way though, so Private loan terms could vary a lot. If you decide to take a Private loan at some point, just be real sure of the repayment terms that are outlined in the promissory note with your lender.

Repayment plans can vary in length and in type. The normal repayment plan length is 10 years. With the amount of debt that most of you will be graduating with though, you can extend that to as much as 25 years if you want too. Extending the repayment plan length decreases the required monthly payment, creating more available cashflow for you, but will ultimately cost you more in interest over the long run.

The standard type of repayment plan sets your required monthly payment at a fixed amount that is the same for the entire length of the repayment plan. The graduated type of repayment plan initially sets your required monthly payment at an amount below the standard plan, but then raises the required monthly payment above the standard plan after a period of time. The idea is that your required monthly payments will increase later on when your salary has probably also increased. Since you are paying less initially, a graduated type of repayment plan creates more available cashflow at the beginning, but will ultimately cost you more in interest.

You can use a combination of these two variables as well. A normal repayment plan length of 10 years and a standard type will have the highest required monthly payment, but the smallest amount of overall interest paid. An extended repayment plan length of 25 years and a graduated type will have the lowest initial required monthly payment, but the highest amount of overall interest.

You can change your repayment plan length and type at any time, as many times as you want, just by contacting your lender.

Loan Repayment



■ Postponement Options

Deferments

Forbearances

If you're ever in a situation where you can't afford to make the required monthly payment, even on a graduated repayment plan type, you can use a deferment or a forbearance to postpone payments.

During a deferment, the government continues to pay the interest for you on any Subsidized Stafford loans. The most common example of a deferment is the In-School Deferment that keeps you from having to pay on your loans while you're still here. Deferments have specific rules for qualifying though.

During a forbearance, all of your loans accrue interest, including Subsidized Stafford loans. Forbearances do not have the same strict qualification rules that deferments have though. In many cases, your lender can decide whether or not to approve your forbearance request based on their own criteria.

Default



- Any time you miss a payment for more than 270 days
 - Possible consequences:
 - Referred to a collection agency
 - Reported to the national credit bureaus
 - Loss of federal financial aid eligibility
 - Garnished wages
 - Intercepted tax refunds
 - Suspended or revoked professional license
-

All of those options are vitally important as ways to avoid missing payments and ending up in default. Any time you miss a payment for more than 270 days, you are legally in default on your loans.

Defaulted loans are usually referred to a collection agency and reported to the national credit bureaus, where it will stay on your credit history for at least 7 years. You will lose all eligibility to future federal financial aid until the default is resolved. Additionally, you may have your wages garnished, your tax refund checks intercepted, or your professional license suspended or revoked.

Early Repayment



- No early repayment penalties of any kind
- Within 120 days of disbursement, loan fees and accrued interest are negated
- Extra payments go to accrued interest first, then to principal

Discharge

- Death, or Total and Permanent Disability

If you happen to have extra money along the way, you can return the unused funds or make a direct payment on your loans at any time with no prepayment penalties at all.

If you return unused funds within 120 days of the disbursement date, the fees and any accrued interest are negated on the returned portion. Effectively, that portion of the loan never existed. If you make an extra payment at any time, it will go towards the accrued interest first and then the remainder goes towards paying down the principal.

Also, with all the federal loans (both types of Stafford and Graduate PLUS), if you die or are totally and permanently disabled, the loans are discharged and do not pass on to your spouse, kids, other family members, or your estate.

Review



- Costs at VCOM
 - Financial aid options and why loans are good, realistic options
 - Budget planning and repayment options that are manageable
-

So there we go. I think I've talked enough for a while, and you're just about hungry, right? We've covered the estimated costs here for four years, reviewed your aid options, especially loans, and covered the very basics of budgeting and repayment.

Questions?



Daniel Hewitt

dhewitt@vcom.vt.edu

(540) 231-6021

Eloise Turner

eturner@vcom.vt.edu

(540) 231-5923

I will be glad to answer any general questions that you have. I'll also be available in the Student Services Suite starting at 2:00pm, if you prefer to ask your questions that way. Are there any general questions?

Thank you very much for coming! If you need anything financial aid related, please contact Eloise or myself. Next up for you, you have some choices. Lunch will be served over in VCOM Building 2, across Kraft Drive, until 1:30pm. Our Information Fair with displays by some local apartment complexes and additional materials for you, is over in VCOM Building 2 as well. The Anatomy Lab on the 3rd floor will have tours at 1:00pm, 2:00pm, and 3:00pm. The SIM Center over in our Knollwood Building, across Ramble Road, will have an Open House from 1:00pm to 3:00pm. I hope the information from today is helpful to you, thank you for coming, and have a great afternoon!