Financial Aid & Money Management
for Entering UofL Medical School Students

Prepared for the SOM Class of 2025

Leslie R. Kaelin M.Ed.
Financial Aid Director-School of Medicine
University of Louisville-SOM Orientation

Disclaimer: All information and estimates are based on AAMC interpretation of federal regulations as of July 2020 and are subject to change. These are estimates only. Students should contact their servicer(s) to discuss exact loan balances and repayment options.
SOM Financial Aid

Welcome to the SOM Class of 2025!
SOM Financial Aid Staff

❖ Leslie R. Kaelin, M.Ed.  
Financial Aid Director, SOM

❖ Angela Hall, MSM  
Financial Aid Coordinator, SOM

❖ SOM A Building (Instructional Bldg.)  
Suites 205 & 208 (across from SOM Student Affairs)  
502-852-5187
Make Financial Literacy Fun!

- M1 – The Price is Right! - Topic: Goals and Budgeting (Fall)
- M1 - Fashion Sense Show (Spring) College competition - “Doing More with Less” - Celebrity SOM Judges
- M2 - So You Want To Be a Millionaire? - Credit Reports and Scores
- Various emails about AAMC Financial Literacy Webinars
- Financial Aid Open house – Scholarship raffle, Snacks!
- Individual Counseling
- Financial Wellness programming and M4 elective course
21-22 (M1) Cost of Attendance Details (COA)

**Bursar’s Office Bill Fall 21**
- $21,305 KY-R Tuition
- $625 Technology Fee
- $52.50 HSC Health Fee
- $98 UofL Recreation Fee
- $55 Disability Insurance Fee
- $1,446 Major Medical Health Ins. (waive?)

Total Billed Fall 21: $23,581.50

**Bursar’s Office Bill Spring 22**
- $21,305 KY-R Tuition
- $625 Technology Fee
- $52.50 HSC Health Fee
- $98 UofL Recreation Fee
- $98 Disability Insurance Fee (not billed in spring)
- $1,446 Major Medical Health Ins.

Total Billed Spring 22: $23,526.50

**Not billed, but in your (M1) 21-22 COA**
- $1,142 M1 Books & Supplies-per UME (includes 24 month-USMLE RX 360 First Aid & all UME required books + supplies)
- $21,716 Living Expenses (Plus the $2,892 billed Major Medical Health Ins.= $24,608)

**Living Expenses include:** Room & Board, Transportation, Major Medical Insurance, Personal Expenses & Loan fees

Total M1 COA: $69,966

Total M1 COA Non-Resident tuition: $92,154

**Books & Supplies items included in COA for M2-M4**

**M2 includes:** 6 month Uworld Question Bank *(UME pays half)*, First Aid for Step 1, Pretest Question Books for 7 subjects, 2 extra NBME practice exams for Step 1, Cost of Step 1, all UME required books + supplies.

**M3 includes:** Step 2 CK, all UME required books + supplies.

**M4 includes:** Residency Application/Interview Expense, all UME required books + supplies.
Federal Loan Aid
You Are America’s Smartest Investment

The U.S. Department of Education’s office of Federal Student Aid (FSA) provides more than $120 billion in financial aid to help pay for college or career school each year.

Getting ready for college can be

For more information, visit studentaid.gov
Class of 2020 Indebtedness

Median MD School Debt: $200,000

Source: AAMC 2020 Graduate Questionnaire (GQ)

73% of class report having education debt
54% report debt of $200,000 or higher
Class of 2020 Average Debt (MD degree borrowing only): $207,458

- 151 Graduates
- 34 Graduates with zero debt
- 59 Graduates with prior debt (Average: $26,870)
Master Promissory Note (MPN)

Is a contract with the lender
Can be used for multiple years
Read before signing
Lists your rights & responsibilities
Rights and Responsibilities

Rights

- Prepay any federal loan without penalty
- Request a copy of your MPN
- Change repayment plans
- Receive grace periods and subsidies on certain loans
- Use deferment or forbearance to postpone payments
- Receive documentation of loan obligations, rights and responsibilities, and when the loan is fully repaid

See the MPN for all rights
Rights and Responsibilities

Responsibilities

- Complete exit counseling before leaving or dropping below half-time enrollment
- Make loan payments on time
- Make payments despite nonreceipt of a bill
- Notify the servicers of changes to your contact or personal information
- Notify the servicers of changes in your enrollment status

See the MPN for all responsibilities
A Serious Obligation

Student Loans Must Be Repaid

Manage Your Debt
Don’t Let It Manage You
Consequence of Late Payments

Financial Problems?
Contact Your Servicers Immediately!

**Financial Problems?**

**Contact Your Servicers Immediately!**

**Delinquency**
- Credit bureaus notified.
- Credit negatively affected.

**Default**
- Credit bureaus notified.
- Entire balance becomes due immediately.
- Additional charges, fees, and collection costs are assigned.
- Credit negatively affected.
- Wages and tax returns are garnished.
- Social Security and disability benefits are withheld.
- Legal fees and court costs are your responsibility.
- You are ineligible for additional student aid.
- Other federal debt collection methods are used.
Subsidized Loans vs. Unsubsidized Loans

**Subsidized**
- Direct Subsidized Loans
- Perkins Loans*
- Primary Care Loans
- Loans for Disadvantaged Students (LDS)*
- Institutional Loans (some)
- Consolidation Loans (underlying subsidized loans)

**Unsubsidized**
- Direct Unsubsidized Loans
- Direct PLUS Loans
- Private Loans
- Consolidation Loans (underlying unsubsidized loans)

* Subsidy and deferment rights are lost in a consolidation loan
Direct Unsubsidized & Grad/Plus

**2021-2022 Direct Unsubsidized Loan**
- 5.28% Fixed Interest Rate (4.30% in 20-21)
- 1.057% Federal Loan Fee
- Interest starts accruing continuously, at the point of disbursement*
- Automatic in-school deferment
- Maximum yearly (if eligible): M1-$42,722 (10), M2-$44,944 (11), M3-$47,167 (12), M4-$42,722 (10)
- Maximum Undergrad/Grad: $138,500 Maximum professional student lifetime limit: $224,000

**2021-2022 Direct Grad/PLUS Loan**
- 6.28% Fixed Interest Rate (5.20% in 20-21)
- 4.228% Federal Loan Fee
- Interest starts accruing continuously, at the point of disbursement*
- Automatic in-school deferment will postpone repayment
- Grad/PLUS has a maximum interest rate cap of 10.5%
- Maximum up to COA (if eligible)
- Dept. of Education approval includes a “Credit Check”

*(Interest free until Sept. 30, 2021-per COVID Relief federal legislation)*
Interest Rates – Class of 2025

Fixed Interest Rates ('21 - '22 Student Loans)

- **DIRECT UNSUBSIDIZED LOAN**
  - Fixed Rate: 5.28%

- **DIRECT PLUS LOAN**
  - Fixed Rate: 6.28%

* PCL Loans and LDS Loans are a fixed 5%
### Fixed Interest Rates for the Class of 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>PERKINS*</th>
<th>DIRECT UNSUBSIDIZED</th>
<th>DIRECT PLUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>M2</td>
<td>5.0%</td>
<td>6.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>M3</td>
<td>5.0%</td>
<td>6.08%</td>
<td>7.08%</td>
</tr>
<tr>
<td>M4</td>
<td>5.0%</td>
<td>4.30%</td>
<td>5.30%</td>
</tr>
</tbody>
</table>

* Perkins, PCL and LDS Loans are disbursed at a fixed rate of 5%. All loans shown have a fixed interest rate.
Federal Loan Origination Fees

- The federal loan fee is deducted proportionately from each loan disbursement by the Dept. of Education prior to disbursement.
- The disbursed amount you receive will be slightly less than the amount you actually accept/borrow.
- You’re responsible for repaying the entire amount (“Gross” amount) you borrowed and not just the (“Net” amount) that was disbursed.

**Unsubsidized Loan: 1.057% Loan Fee**

- $20,500 + $22,222 = $42,722 Total Accepted
- $216 + $234 = $450 Total Loan Fees
- $42,272 “Net” Disbursed ($21,136 per semester)

**Grad/PLUS Loan: 4.228% Loan Fee**

- $27,244 Total Accepted
- $1,150 Total Loan Fees
- $26,094 “Net” Disbursed ($13,047 per semester)
Capitalization

Addition of unpaid interest to the principal

\[
\text{Principal} + \text{Interest} = \text{Larger Principal}
\]

*Based on the median education debt level for the Class of 2019 and interest rates from the Class of 2020*
Capitalization of Interest

Addition of unpaid interest to the principal

<table>
<thead>
<tr>
<th>Principal</th>
<th>Interest</th>
<th>Larger Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000</td>
<td>$15,500*</td>
<td>$215,500</td>
</tr>
</tbody>
</table>

* Based on CARES Act in effect through Sep. 30, 2021. “Savings” of an estimated $17,000 is realized because interest was avoided due to the CARES Act.
If possible, pay the interest before it capitalizes!

1. Separate from required payments
2. With instructions to apply the monies
   - immediately
   - towards the highest % rate
3. Follow-up to see it was done
Primary Care loan & Loan for Disadvantaged Students

Need based loans with limited funding:

• **Primary Care Loan (PCL):** Interest rate is 5%
  • Subsidized (interest free) during school and approved primary care residency
  • Pediatrics, Internal, Med/Peds, Family Medicine, Preventative Medicine – NO specialties

• **Loan for Disadvantaged Students (LDS):** Interest rate is 5%
  • Subsidized (interest free) during school and residency

*If interested: update your 21-22 FAFSA to include your parents’ financial information and notify SOM Financial Aid if you are interested in PCL*
The Loan Repayment Timeline
Loan Repayment Timeline

The path for many federal student loans
NOTICE: Repayment Begins

If taking a LOA, dropping below half-time or withdrawing

Contact the Financial Aid Office

Exit counseling is required

Payments may start (or 6 month grace period begin)
# When is Your First Payment Due?

<table>
<thead>
<tr>
<th>School</th>
<th>Residency/Graduate Fellowship</th>
<th>Post-Residency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loan</td>
<td>6-month grace</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Consolidation Loan</td>
<td>Deferment,¹ Internship/Residency Forbearance,² or Repayment³</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Direct PLUS Loan⁴ Disbursed on or after 7/1/08</td>
<td>In-School Deferment</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Perkins Loan</td>
<td>Enrolled</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Primary Care Loan</td>
<td>In-School Deferment</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Loans for Disadvantaged Students (LDS)</td>
<td>Enrolled</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Institution Loan</td>
<td>6-month post-enrollment deferment</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Private Loan</td>
<td>Enrolled</td>
<td>Repayment³</td>
</tr>
<tr>
<td>Possible Grace, Deferment, or Forbearance</td>
<td>Deferment available throughout residency Must reapply each year</td>
<td></td>
</tr>
</tbody>
</table>

1. Deferral
2. Forbearance
3. Repayment
4. Direct PLUS Loan
5. Forbearance

Visit [aamc.org/first/timeline](aamc.org/first/timeline) for more information.
Options During Residency

There are two choices during residency

- Postpone Payments
- Make Payments
- Deferment
- Forbearance
Postpone Payments

**Deferment**

Must apply and qualify

Interest continues to accrue on Direct Unsub and Direct PLUS loans (only waived on subsidized loans from undergrad)

**Forbearance**

Must request from servicer

Interest accrues on all loans

Medical Residency Forbearance available

**NOTE:** For more details, or to request a deferment or forbearance, contact the servicer of the loan.
Options During Residency

There are two choices during residency

- Postpone Payments
- Select a Repayment Plan
- Make Payments
Repayment Plans – 2 Types of Plans

- **Standard**: $2,600
- **Traditional**
- **Income Driven**
- **REPAYE**: $320
- **PAYE**: $320

Figures based on $200,000 borrowed during 4 years of medical school
<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Standard</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All borrowers</td>
<td>&quot;New&quot; borrowers</td>
<td>All borrowers</td>
<td></td>
</tr>
<tr>
<td>Partial Financial Hardship</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Payment Amount</td>
<td>10 year plan – consistent</td>
<td>10% of discretionary income</td>
<td>10% of discretionary income</td>
</tr>
<tr>
<td>Payment Term</td>
<td>10 years</td>
<td>20 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Forgiveness</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Payment Cap</td>
<td>n/a</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Spouses Income</td>
<td>No</td>
<td>Yes—if filing jointly</td>
<td>Yes</td>
</tr>
<tr>
<td>Capitalization</td>
<td>n/a</td>
<td>No more PFH or if you leave PAYE</td>
<td>If you leave REPAYE</td>
</tr>
<tr>
<td>Subsidy</td>
<td>none</td>
<td>Yes – on sub loans – 3 yrs</td>
<td>Yes – 50% of unpaid interest</td>
</tr>
</tbody>
</table>
Public Service Loan Forgiveness (PSLF)

aamc.org/first/pslfbooklet
Loan Forgiveness & Repay Assistance

aamc.org/stloan
aamc.org/repayasst
Strategic Borrowing
Alternatives to Borrowing

- Faith & civic organizations
- Military
- NHSC S2S
  ➢ aamc.org/stloan

- Cornerstone to avoid unnecessary debt
  ➢ aamc.org/studentbudget
  ➢ aamc.org/financialwellness

- Financial aid office
  - Family support

- Hospital, county & state
- Income-Driven Repayment
- Public Service Loan Forgiveness
  ➢ aamc.org/first/pslfbooklet
Borrow Wisely – In The Right Order
How Will You Borrow?

Do NOT borrow just because you are eligible…

- Create a BUDGET, only way to know what you need to borrow
- Cannot borrow above the published SOM COA
- Know the difference between a NEED and WANT
  Borrow what you need, not what you want
- Know how you will cover the expenses for summer, after M1
- Decline loans that exceed your need

Live like a medical student while you are a medical student, and you will reap the rewards during repayment.
Borrow Wisely

BORROWING CHALLENGE

$5,000 less each year will REDUCE the amount borrowed and REDUCE your:

- Monthly Payments by $310
- Total Interest Cost by $17,500

TIP - Have a budget and save money

Note: Example is based on a projected 2025 M.D. graduate borrowing Direct Unsubsidized and PLUS Loans at CBO-projected interest rates with forbearance during a three-year residency prior to beginning a Standard 10-year repayment plan.
How to Create a Spending Plan

Spending Plan Steps

1. Put it in writing.
2. Review it periodically.
3. Make necessary adjustments.

“Live like a student while you are a student…”
Resources to Create a Spending Plan

aamc.org/financialwellness

aamc.org/studentbudget
The Basics of Budgeting

Your Total Income

- Your Total Expenses

= Your Discretionary Income
Spending Wants: Leaks

Small amounts add up over time

It may not seem like much in the short term

$5/day, 5 days/week

$100/month, 10 months

$1,000/year x 4 years =

$4,000
Spending Wants: Leaks

Consider the alternatives

Savings can also add up quickly

$10/month

10 months/year

$100/year x 4 =

$400
Are Credit Cards Bad?
The Minimum Payment Trap

$5,000 balance with an 18% interest rate
(Making minimum monthly payments)

Source: BankRate.com
The Minimum Payment Trap

THE MINIMUM PAYMENT TRAP

$\ 5,000 @ 18\%$

$5,000$ financed at $18\%$

23 Years

Paying the minimum monthly payment means it will take you almost 23 years to fully repay.

$12,000 Total Paid

Paying the minimum monthly payment means you will pay $7,000 in interest.

What could possibly be worth paying more than twice its original value?

Source: BankRate.com
Credit: Understand & Protect
Check your Credit Report

annualcreditreport.com
A FICO Score is Based On

- Payment History (35%)
- Amount Owed (30%)
- Length of History (15%)
- New Credit (10%)
- Types of Credit (10%)
How to Improve Your Score

During medical school, these simple steps will help.

- Pay bills on time
- Pay down debt on lines of credit
- Apply for credit sparingly
UofL Specifics…
Financial Aid Helpful Hints

• #1 Develop a Budget !!! Just do it!

• Ask SOM Financial Aid, don’t assume or take the advice from a fellow classmate to answer your questions. There are no stupid or wrong questions!

• If you originally received or borrowed less than your full allowed 21-22 Cost of Attendance (COA), you can request previously declined loan funds, contact our office by April 15, 2022.

• If you are having any financial issues or concerns throughout medical school, contact our office. SOM FA will do everything we can to assist you. Unfortunately, an answer may be “no” based on federal aid regulations but it never hurts to inquire. You don’t know unless you ask!

• If possible, plan for a backup financial assistance option, plan in advance, before it happens.

• Remember to save for lump sum expenses from your first disbursement.

• Attend Financial Wellness & Literacy programs! Fun, informative, prizes and lunch!

• Make a plan for summer 2022.
Most frequently asked questions...

I forgot to submit my FAFSA, now what do I do? **File the 21-22 FAFSA as soon as possible!**

When should I expect my refund? **M1 & M2 Financial Aid First Disbursement today! Bursar’s Office Refund/Residual 3-5 days after aid disbursement (estimate Thursday?)**

How do I request my loans to be re-offered? **Contact SOM FA at 502-852-5187**

Why haven’t my loans disbursed? **Many possible reasons…**

- UofL did not receive your 21-22 FAFSA or you have not filed it yet
- Not packaged yet-late FAFSA or other issue
- Did not accept loans on Ulink
- Just accepted loans on ULink in the last few work days
- Did not complete Loan Entrance or Loan MPN at [www.studentaid.gov](http://www.studentaid.gov)
- Did not sign up for Bursar’s Office refund process
- Expired MPN
- Prior balance due to UofL,
- Credit issue with Grad/Plus loan
- Various possible Registrar, Admissions, Student ID issues

How do I waive the health insurance or the health insurance charge is still on my account! **Contact Campus Health Services at 502-852-6519**
What has to be completed in order for my loans to disburse?

What do I have to do to make sure any refund/residual amount is deposited into my bank account?

A. I have to accept my loans on my ULink account
B. I have to complete Master Promissory Notes and Loan Entrance Counseling at studentaid.gov
C. I have to set up my refund “Direct Deposit” with the Bursar’s Office via “Student Choice” (Nelnet)
D. I have to do all of the above!
AAMC Resources
First Program

Financial Information, Resources, Services, and Tools

Education Debt Manager
For Matriculating and Graduating Medical School Students

Learn
Serve
Lead

aamc.org/first/edm
AAMC’s – Education Debt Manager – Free PDF Download – aamc.org/first/edm

Resources: from the AAMC

AAMC FIRST

Offers Financial Aid Fact Sheets on Topics Like:

• Budgeting worksheets
• Roommates and money
• Transitioning to medical school
• The cost of interviewing for residency
• Repayment
• Credit

Offers Videos and Webinars on Topics Like:

• How long will it take to pay your student loans
• 7 steps to increasing your credit score
• Home financing for graduating Medical students
• Student loans and repayment for married physicians
AAMC Financial Wellness Program

Some of the available courses include:

- Budget Basics
- Buying a Car
- Financial Basics
- Financial Planning
- Financial Trouble
- Having a Baby
- Identity Theft
- Managing Credit
- Saving and Investing
- Understanding Insurance

Financial Health Check - Measure your financial wellness.

Auto Loan Calculator - Estimate your monthly car payment.

Chronic Debtor Assessment – Obtain feedback on your spending behavior.

Financial Goals – Set your short and long term financial goals and store them within your account.

Mortgage Calculator – See estimated payments and learn about potential tax breaks.
Know Your Numbers

MedLoans® Organizer and Calculator

- Upload your student loan data (details on page 7).
- Keep track of your student loan information.
- Develop personalized repayment strategies.

A free tool for MD students and graduates!!

Nathaniel Bayer, 2015 Graduate, University of Rochester School of Medicine and Dentistry

aamc.org/medloans
QUESTIONS
What did she say???