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7 ways to reduce medical school debt

Often-overlooked loan repayment programs. Smart budgeting strategies. Fee assistance programs. Young doctors have many resources as they embark on a medical career.

The recent news that New York University (NYU) School of Medicine would offer full tuition scholarships for all current and future students, effective immediately, garnered headlines around the world.

For most medical students, though, debt continues to be a significant concern. According to a new AAMC study, 76% of students graduate with debt. And while that percentage has decreased in the last few years, those who do borrow for medical school face big loans: the median debt was $192,000 in 2018. At private schools, 21% of students have debt of $300,000 or more. The average four-year cost for public school students is $243,902. For private school students, the cost is $322,767.

Despite the high cost, though, most students say debt was not a huge factor in their decision to enter medical school – or the decision to pursue one specialty over another (see sidebar). Students are usually motivated more by their interest in a specialty or the influence of a role model, says Julie Fresne, AAMC's senior director of student financial services and debt management.

"Debt never factored into my decision to pursue medical school versus other routes, such as PA school or nursing school," says T. Austin Witt, a third-year medical student pursuing a career in family medicine at the East Tennessee State University James H. Quillen College of Medicine. "I knew from the beginning that primary care was my passion. Since enrolling in medical school, the mentorship and educational experiences I have received have affirmed my choice a million times over."

Managing costs and debt

1. Lowering upfront costs

Students can cut costs during the application process, says Sarah Rudasille, a first-year medical student at the David Geffen School of Medicine at UCLA. The average primary application fee is $170 for the first school and $39 for each additional school. Secondary applications range from no-charge to $200. "It all adds up pretty significantly," says Rudasille in an AAMC video. To save money, she suggests reviewing the Medical School Admission Requirements™ (MSAR®) guide, targeting applications, and applying to fewer schools. Once students receive their first acceptance, they then can rule out other schools, which will reduce travel expenses for interviews. "It saves you a little bit of money in the application process, which I assure you adds up very quickly," she says.

The registration fee for the MCAT® exam is $315, but the AAMC offers an MCAT fee assistance program.

2. Searching for financial aid

Students have a variety of options, from grants to fellowships to scholarships (the AAMC maintains a list of consumer and federal financial aid resources). Other sources include CollegeScholarships.org and the American Academy of Family Physicians. Rudasille suggests reviewing schools' financial aid policies online and focusing applications on the most generous schools.

3. Improving financial literacy

The smarter students are about finances, the better they'll be at managing debt. That's why many medical schools provide financial literary training. At the University of South Carolina School of Medicine, students participate in one-on-one meetings about finances in their first and fourth years and attend group meetings during years two and three. Topics range from budgets to expenses to loan repayment options. Students also meet with a financial planner.

"The overarching theme across all four years is setting up strong financial foundations," says Jerel Arceneaux, MS, student services manager at the school of medicine. "If you create bad habits in your 20s, those habits tend to follow you."

The Albert Einstein College of Medicine in the Bronx, New York, recently instituted a financial literacy requirement for graduation: Students must participate in at least four financial literacy sessions throughout their matriculation, from one-on-one entrance and exit interviews to group sessions on topics like debt management. "We tackle things like insurance, investments, retirement, home buying, and even things as basic as how to find an apartment," says Damien Jackson, MEd, director of the Office of Student Finance.

Some schools require students to use the AAMC's MedLoans® Organizer and Calculator, developed specifically for medical school students, which helps them track loans and run repayment scenarios.

4. Entering an income-driven repayment program

With traditional repayment plans, students make payments based on the amount of money they owe. But with the federal government's income-driven repayment plans, monthly payments are a percentage of discretionary income, which is more manageable for borrowers, says Fresne. With a Pay As You Earn repayment, for example, a monthly payment is 10% of discretionary income based on family size and adjusted gross income. The repayment term is up to 20 years. After that, the remaining balance is forgiven, but taxable. (The AAMC offers a list of loan repayment options). "It gets you in the habit of taking some responsibility toward your loans and chipping away at them," says Arceneaux.

5. Considering a loan forgiveness program

By working for nonprofit facilities or the government, working in medically underserved areas, or joining the military, students can reduce medical school debt (the AAMC lists a variety of service options). Possibilities include the United States Public Health Service Commissioned Corps and civil service programs such as the Indian Health Service, the Centers for Disease Control and Prevention, the National Institutes of Health, the U.S. Department of Health and Human Services, and the National Service Health Corps (NSHC).

"I am a huge advocate for programs like the NHSC's Students to Service program, which provides $120,000 in repayment assistance for students who match into a primary care specialty," says Jackson. "I think students often overlook both the NIH and NSHC loan repayment programs."

Many states offer similar programs. Witt was turned down for an NHSC scholarship, but may apply for public service loan forgiveness in Tennessee since he plans to work with underserved populations. The Tennessee Center for Health Workforce Development provides financial incentives for all residents, regardless of specialty, in exchange for working in-state.

Another option is the federal Public Service Loan Forgiveness Program. If students make 120 on-time monthly payments while working in public service, their loans will be forgiven.

6. Sticking with a plan

After working in financial aid for 22 years, Arceneaux has observed that the students who are most inquisitive about debt are the most successful at paying it off. "There are always some fourth-year students who are really interested and ask, 'What is my student loan debt, what are my options for repaying it, how quickly could I potentially pay it off,'" he says. "When you see those students later, they're the ones who followed a plan and are out of debt the quickest."

The students who don't plan or study their options typically struggle. "Those are the students who brush it off during residency and are like, 'I'll deal with it when I have to.'"

Witt has worked with financial aid counselors and says his goal is to make interest payments during his three to four years of graduate training. "If I can tread water through residency, the starting pay as a physician — even in lower-paying specialties such as family medicine — will be enough to pay back my loans in a timely manner and still allow me a more-than-comfortable lifestyle," he says.

7. Taking advantage of AAMC resources

The AAMC offers a variety of information for applicants, students, and residents through its FIRST (Financial Information, Resources, Services, and Tools) program. This includes videos and webinars on subjects such as repaying student loans and managing loans during residency, as well as online resources on paying for medical school and how to afford it.

Don't let debt stop your dreams

Despite the expense, medical school remains an outstanding investment. The average salary for physicians is around $303,000, up from roughly $210,000 in 2011, according to the 2018 Medscape Physician Compensation Report.

"Physicians have excellent income potential," says Fresne. "But most physicians don't go into medicine for the money. It's about having a rewarding career and providing patients with the care they need."

That doesn't mean new physicians can spend freely once they embark on their careers. Jackson tells the story of a friend who just made the last payment on her $200,000 medical school loan. It took 14 years to pay it off, but during that time she bought two homes, started a family, and contributed to her retirement account. Her success came not only from following a plan, but by avoiding what Jackson calls "the trap of excess." She drove the same car for years, avoided buying McMansions, and used Airbnb for family vacations so she could cook instead of eating out.

For Witt, debt remains a concern, especially as a first-generation college student who grew up in a single-parent home. "I do worry about it," he says. "It is not ideal to start my career and adult life owing so much money." But he feels a calling to become a physician. He grew up in a small town, so he knows how family physicians can impact medically underserved communities. "I would pursue this career regardless of the cost," he says. "You cannot put a price tag on a dream."