A Financial Guide to Surviving Residency

Get Started

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Medical School isn't Cheap

For many, becoming a doctor and choosing a career helping others is an innate calling. For others, it may be a family tradition. Or for some, the lure of being at the forefront of medicine is irresistible. But whatever your motivation, becoming a skilled medical professional is expensive.

According to the Association of American Medical Colleges (AAMC), 75% of the graduating class of 2018 reported leaving medical school with student loan debt. Across the country, the median level of debt for the class of 2018 was $200,000.[1]

Medical School Debt: Class 2018[1]

	Public	Private	All
% with Ed. Debt	77%	72%	75%
Mean (indebted only)	$188,758 (↑4%)	$209,367 (↑2%)	$196,520 (↑3%)
Median (indebted only)	$190,000 (↑6%)	$210,000 (↑4%)	$200,000 (↑4%)

Medical School Costs: 2018-2019 Term[1]

	Public	Private
Tuition & Fees	$38,202 (↑4%)	$61,533 (↑3%)
Cost of Attendance	$62,038 (↑2%)	$84,516 (↑3%)
4-Yr COA for 2019 Class	$250,222 (↑3%)	$330,180 (↑2%)

Class of 2018

Preparing for Residency Adds More Stress

While the costs of applying to medical residency programs may appear almost insignificant in comparison to the total cost of your education over time, the added stress on your medical student budget can be daunting.

The overall cost of the process will vary widely and be driven by factors such as potential specialty/specialties, number of applications submitted and programs ranked, and proximity to these programs, including travel to resident interviews and relocation.

Application Fees

Your most predictable costs are the application fees associated with the residency selection process.

Electronic Residency Application Service (ERAS) streamlines the process for applicants, their Designated Dean's Offices, Letter of Recommendation authors, and program directors.

ERAS starts at $99 for up to 10 programs per specialty with fees increasing per application above 10. While you can submit for as many programs as you want, you will pay $15 per each submission for applications 11-20, $19 each for applications 21-30, and $26 each for any after that.[2]

National Resident Matching Program (NRMP) matches medical school students to U.S.-based graduate medical education training programs.

The NRMP standard registration fee is $85 and covers the submission of up to 20 ranked programs and access to data and reports. Additional programs ranked are $30 per program.[2]

Interviewing Expenses

Separate from the application fees are interview expenses, which can be more varied and are driven by specialty choice and geography. In fact, they can add up to the biggest cost of the residency process. AAMC estimates a median cost of $3,700, but says the total cost of interviewing can range from $1,000 to $7,300.[3]

When budgeting for residency interviews, you want to plan for transportation—don't forget shuttles/cabs/ride-shares if you're not driving to the destination yourself—accommodations, appropriate dress, and meals.

To keep total costs down, you could:

- Group interviews so you only travel once to a centralized location
- Stay with friends or family in the area
- Coordinate travel with fellow students headed to the same area
- Leverage your alumni network or fraternity/sorority connections

Relocating

If you anticipate having to move for your residency match, start planning—and saving—early no matter whether you are headed across town or across the country. Moving costs can add up quickly, especially if you have to make several trips to secure housing, pick a roommate, and sign a lease.

The summer is a busy time for movers, so get quotes from several companies and book in advance. To keep costs down, consider moving only what is essential as it can be cheaper to buy new items than pay to move them.

If your mover charges by the hour, get yourself ready before they arrive. Box your possessions and break down the bigger items, like a dresser or bed, yourself.

Also, don't forget to ask what insurance requirements your building requires of your movers.

You've Been Matched!

Now is the time to get your finances in order. With graduation in May, a move in June, and residencies beginning in June/July, there will be less free time available for dealing with finances than you might think. So, what should you do?

Get Organized

Gather the records of all your debt—student loans, car payments, mortgage, personal loans, credit cards, etc.—and keep it in one safe place. Include the amount, terms, payments, interest rates, and any other key information.

Know What You Owe

See the full picture of your debt so you can make informed financial decisions. This should encompass how much you owe, monthly payment due dates, and your current payoff dates, even if they are 10, 15, or 20 years away.

Map Your Goals

House, kids, private practice, lifestyle—include it all. Even if plans and circumstances change, thinking about where you want to go now will help you be better prepared for the future.

Live Like a Resident

The average yearly salary for a resident is $59,300 according to a Medscape survey.[4] So while there is the potential to make more in the future, you should budget based on your current financial situation.

Consider Location

Remember, cost of living varies based on location. When budgeting for expensese like transportation, groceries, and housing be sure to research what these costs are near your residency program.

Save for Retirement

It's never too early to start saving for retirement. If your workplace provides retirement savings options, take advantage of these plans and any contriubution matching offered.

Get Insurance

Disability, life, and umbrella liability preserve your investment in yourself, your assets, and your capacity to earn future income.

Have an Emergency Fund

Since insurance can't cover every eventuality, having a financial cushion can help get you through an unexpected challenge.

Maximize Your Deductions

You may be eligible to deduct up to $2,500 of student loan interest paid in a given year. There are some restrictions, so check the income requirements each tax year and be sure to consult a tax professional for help.

Set a Student Loan Repayment Strategy

- If you are in deferment or forbearance periods or still in school, consider making some sort of payment on the interest that is accruing on the costliest loans, particularly private in-school loans, federal unsubsidized loans, or Grad PLUS loans.
- Pay off higher interest rate loans first to save on interest.
- Eliminate the smallest balance to free up more money to tackle the next-largest balance.
- Make every effort to make on-time payments. A late payment may result in late fees and/or a negative hit to your credit score.
- Whatever you decide, do the math to ensure the plan makes financial sense.

A Note About Federal Forbearance

Forbearance allows you to temporarily postpone loan payments or temporarily reduce the amount you pay for up to 12 months at a time. There are two types:

- **General forbearance** – your lender decides whether or not to grant forbearance. This is sometimes called discretionary forebearance.
- **Mandatory forbearance** (Direct Loans and FFEL programs only) – as a medical resident, you are entitled to a forbearance in annual increments to postpone payments throughout residency. You must identify yourself as a medical resident to be approved for this forbearance by your loan servicer and complete the proper paperwork in a timely manner. Forbearance for other reasons may be available to you. Learn more at studentaid.ed.gov.

Things to consider:
This is a short-term solution. Any unpaid, accrued interest is added to the principal loan amount. You pay more over the lifetime of the loans.

Student Loan Repayment

To set the best repayment strategy for you, you'll need to know your options.

DIRECT CONSOLIDATION LOAN

If you have multiple federal student loans, a Direct Consolidation Loan can help simplify loan repayment. Consolidation combines two or more loans into one loan with one fixed interest rate that is based on the weighted average of the original loans' rates. Repayment terms vary from 10 to 30 years.

Key considerations:

- Unlikely to offer any interest savings as consolidation usually extends the period you have to repay resulting in more interest over the life of your loan.
- You can gain access to additional federal loan income-driven repayment and forgiveness programs.
- Private student loans cannot be consolidated with federal student loans in a Direct Consolidation Loan.

PUBLIC SERVICE LOAN FORGIVENESS

Borrowers working in public or non-profit organizations can have their loans forgiven after 10 years of working in these sectors and making 120 payments on their direct loans. Qualifying public service employment includes work in 501(c)(3) nonprofits, government agencies, and/or other not-for-profit organizations, such qualifying medical schools and teaching hospitals, employment with AmeriCorps or Peace Corps, military service, public health, and public safety.

Key considerations:

- The amount forgiven is not taxed.
- Money saved needs to be balanced against income lost if you're on the fence about public vs. private sector work.
- U.S. Department of Education policy for PSLF could change so borrowers should monitor developments to ensure that their payments continue to qualify under program guidelines.

INCOME-DRIVEN REPAYMENT

Income-driven repayment plans allow you to reduce monthly payment amounts for federal loans according to your income—they are typically calculated as a percentage of your discretionary income.

For REPAYE, PAYE and IBR plans, if your monthly payment doesn't cover the full interest that accrues each month on your subsidized loans, the government pays the difference between your payment and the remaining interest for the first three years. Under REPAYE, the government also pays half of the difference on your subsidized loans after this three-year period and half of the difference on unsubsidized loans during all periods.

Key considerations:

- Interest rates and terms based on when you originally took out the loan and may not reflect your current financial situation and creditworthiness.
- The monthly payment amount is recalculated each year and may increase as your income rises.
- These plans offer some relief should your financial situation change for the worse during repayment.
- Savings can be achieved if your student loans are forgiven.
- Amount forgiven is taxable (unless forgiven through PSLF).

Key Considerations | Plan Comparison

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Income-Driven Repayment Plans

Plan	Monthly Payments	Repayment Period
Income-Based Repayment (IBR)	• 10-15% of your discretionary income (and your spouse's if filing jointly) • Never more than federal 10-year Standard Repayment Plan amount	20-25 Years
Pay as You Earn (PAYE)	• 10% of your discretionary income (and your spouse's if filing jointly) • Never more than federal 10-year Standard Repayment Plan amount	20 Years
Revised Pay as You Earn (REPAYE)	• 10% of you and your spouse's discretionary income even if you are filing separately • Can be more than federal 10-year Standard Repayment Plan amount	Undergrad: 10 years Graduate: 25 years

Key Considerations

Plan Comparison

STUDENT LOAN REFINANCING

Refinancing provides the opportunity to pay off your original student loans and obtain a new loan with different terms or a lower interest rate. Each lender has its own eligibility criteria, but those who are in good financial standing, demonstrate a strong career trajectory, and have good credit scores are more likely to be approved. Some private lenders, such as Laurel Road, also offer economic hardship payment options should the need arise.

By refinancing your Federal Student loans, you may lose federal benefits such as deferment and forbearance or access to repayment options like IDR and PSLF, For more information visit studentloans.gov.

Student loan refinancing is typically an opportunity for those who are looking to:

- Lower their interest rate(s)
- Save money over the life of the loans
- Pay off loans more quickly
- Lower their monthly payments
- Change from a fixed rate to a variable rate or vice versa
- Reduce the number of loans in repayment

Get preliminary rates in minutes with no impact on your credit score[5] at **laurelroad.com/student**

Student Loan Refinancing

Questions to Ask Your Lender

Interest Rates, Fees, and Terms

How is the interest rate calculated?

Is it a fixed or variable rate loan?

What are the terms of the loan?

What is the monthly payment?

Loan Application Process

Does it have an online application?

Is instant loan approval offered?

Is a co-signer required?

If a co-signer is needed, can the co-signer eventually be removed from the loan and what is the process?

Loan Repayment

When does repayment start?

Are deferment and forbearance options available?

Are incentives offered for on-time or electronic payments?

Are there any pre-payment penalties?

Have questions? We're here to help.
Email us anytime at help@laurelroad.com.

REPAYE vs. Student Loan Refinancing:

Doing the Math

As you enter residency it is important to consider how you will pay back your student loans, especially for those not pursuing PSLF. To make your monthly payments more manageable, you might consider an IDR plan like REPAYE—the newest option available—or refinancing with a company like Laurel Road, which offers special repayment options specifically tailored to residents.

Understanding the Options

A resident's decision to REPAYE or refianance can be complex. On average, medical students enter their residency with about $200,000 in graduate school loans and an additional $25,000 in undergraduate loans. This means monthly payments in a standard student loan repayment plan would likely exceed $2,000—a tough pill to swallow when residents only earn around $5,000 a month.

The benefit of REPAYE while in residency is that monthly payments are based on your income, and not the potentially massive outstanding loan amount. With that same $5,000 a month salary, monthly student loan payments would be just under $350. After residency, however, that payment jumps significantly. For a doctor making $250,000 a year, monthly payments would be just under $2,000.

The other benefit to REPAYE is that the unpaid loan balance at the end of the term is forgiven. This is likely irrelevant as the higher monthly payments made after residency will likely cover the rest of the loan before the 25-year term is up.

Alternatively, Student Loan Refinancing with a company like like Laurel Road offers an opportunity for residents to pay lower monthly payments during training without having to enter into a longer term, potentially saving money on interest. During training, residents only pay $100 a month, which is applied to the interest that is accruing during this time. Afterwards, they begin paying full monthly payments for a similar term as their original loans, which are manageable given the higher earning potential. For our doctors, this might be around $2,700 a month for only 10 years, which is about half the time they'd be in REPAYE.

Single Doctor Example

Student Loan Debt: $225,000
Residency: 3-years
Salary during training: $60,000
Salary after training: $250,000

	APR	Residency mo. pymt.	Post-training mo. pymt	Number of pymts	Total amt paid
REPAYE	6.72%	$344	$1927	252	$426,221
Refi	5%	$100	$2706	156	$328,351

Assumptions*

One thing to note if you're married:

REPAYE takes into account your domestic partner's discretionary income regardless of whether you file your taxes together or separately. Plus, residents are responsible for their percentage of the total student loan debt.

This means a resident making $60,000 with $225,000 in outstanding debt married to someone making $65,000 with $25,000 in outstanding debt would have a combined income of $125,000 and $250,000 in debt. Since the medical school debt accounts for 90% of the total student debt, our resident's monthly payments would be almost $750.

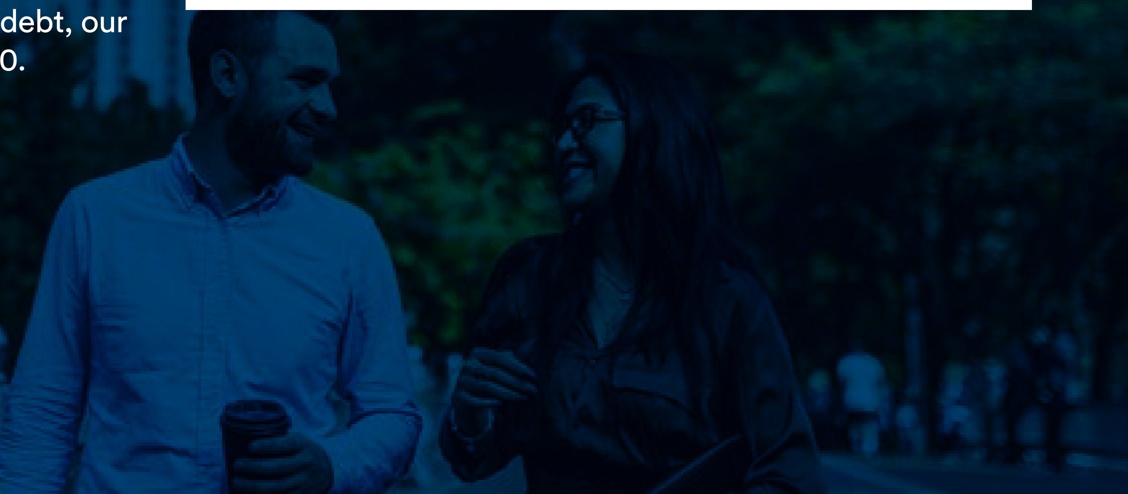
Married Doctor Example

Doctor
Student Loan Debt: $225,000
Residency: 3-years
Salary during training: $60,000
Salary after training: $250,000

Spouse
Student Loan Debt: $25,000
Salary: $65,000

	APR	Residency mo. pymt.	Post-training mo. pymt	Number of pymts	Total amt paid
REPAYE	6.72%	$747	$2172	203	$386,459
Refi	5%	$100	$2706	156	$328,351

Assumptions*



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*ASSUMPTIONS

Single Doctor Example

The Single Doctor Example compares an unmarried individual with no dependents residing in New York and repaying a total of $225,000 in federal loans under the REPAYE repayment option to the same individual repaying a $225,000 in student loans refinance by a private lender.

Under both the REPAYE and Private Loan Options, the borrower is a resident earning $60,000 annually during three (3) years as a resident. Upon finishing the residency program, the borrower's annual salary will increase to $250,000. The example does not consider any other changes to the borrower's annual salary. Under this example monthly payments under the REPAYE option are calculated based off these two salaries and the poverty guidelines published by the U.S. Department of Health and Human Services (HHS) in 2019.

Under the REPAYE Option, the individual is repaying one undergraduate Federal Direct Unsubsidized Loan in the amount of $25,000 with an interest rate of 4.5% and one graduate Federal Unsubsidized Direct Loans in the amount of $200,000 with an interest rate of 7%. Neither loan has been consolidated under the Federal Direct Consolidation Loan Program and both remain unconsolidated throughout the example. The example assumes that the borrower is not eligible for Public Student Loan Forgiveness.

Under the Private Loan Option, the borrower makes $100 monthly payments during the borrower's three (3) year residency period. During this time any unpaid accrued interest is added to the loan principal once the borrower exits his residency program and monthly payments of principal and interest will begin when the Residency Period ends.

Married Doctor Example

The Married Doctor Example compares a married individual with no dependents (with a spouse repaying $25,000 in undergraduate Federal Unsubsidized Loan with an interest rate of 4.5%) residing in New York and repaying a total of $225,000 in federal loans under the REPAYE repayment option to the same individual repaying a $225,000 in student loans refinance by a private lender.

Under both the REPAYE and Private Loan Options, the borrower is a resident earning $60,000 annually during three (3) years as a resident. Upon finishing the residency program, the borrower's annual salary will increase to $250,000. During both the borrower's residency program and thereafter the spouse earns $65,000 annually. The example does not consider any other changes to the borrower's or the spouse's annual salary. Under this example monthly payments under the REPAYE option are calculated based off these three salaries and the poverty guidelines published by the U.S. Department of Health and Human Services (HHS) in 2019.

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1. Medical Student Education: Debt, Costs, and Loan Repayment Fact Card, AAMC, Oct 2018
2. https://students-residents.aamc.org/financial-aid/article/cost-applying-medical-residency/
3. https://students-residents.aamc.org/financial-aid/article/cost-residency-interviews/
4. https://www.medscape.com/slideshow/2018-residents-salary-debt-report-6010044

5. Checking your rate with Laurel Road only requires a soft credit pull, which will not affect your credit score. To proceed with an application, a hard credit pull will be required, which may affect your credit score.

The information provided is for educational purposes only and not legal or financial advice.

At Laurel Road, we offer low rates, personalized service, and technology that makes refinancing your student loans smart and easy. For more information, visit laurelroad.com/student.