Residency and Relocation Loans -- To Borrow or Not to Borrow

Fourth-year medical students have a variety of expenses that may not be included in the standard student budget. Some of these expenses may include participating in the residency match, traveling for interviews, related meals and lodging, moving expenses, etc. All of these items cost money and some students may need to consider taking out a residency and relocation loan to help cover the additional expenses.

One of the costliest mistakes medical students make is to borrow funds they don’t really need.

Residency and Relocation Loans are Private Loans

Unlike federal student loans, Residency and Relocation Loans are referred to as private (or alternative) loans. Taking out this loan is strictly between you (the borrower) and the lender. Your medical school’s financial aid office is not involved and will not certify your eligibility for this loan.

The fees and interest rate you will pay will be based on your credit-worthiness, or the creditworthiness of you and your co-signer.

Be discriminating when you choose these loans and compare all information before making a decision. It’s important to know what you’re getting into – remember this is money that you will have to pay back, and typically, private loans can cost you more than other loans.

Itemize Anticipated Expenses in Your Last Year

Medical school may be coming to an end but there are still many additional expenses that pop up in your last year that are necessary, even required, to help you get ready for your residency.

Although you may have anticipated these additional expenses, do you have adequate funds to cover them? Do you find yourself in the situation of needing some extra resources to help you get through your last year as you prepare for interviewing and relocating? It’s helpful to itemize your anticipated expenses to determine if your need for this loan is legitimate or just a “nice cushion to have.”

Evaluate the Following

- interest rates
- maximum loan amount
- processing time
- disbursement dates
- postponement of payment options
- repayment term
- terms and conditions of the loan

Some Questions to Ask

Interest Rates, Fees, and Terms

- How is the interest rate calculated?
- Is it a fixed or variable rate?
- What are the terms of the loan?
- Does the Financial Aid Office have any additional information on these loans?

Loan Application Process

- Is it an online application?
- Is instant loan approval offered?
- Will I need a co-signer?
- How long will the co-signer stay on the loan?

Repaying Your Loan

- How soon do you start repaying?
- Are “deferment and forbearance” options offered after graduation and during residency?
- Are incentives offered for on-time or electronic payments?

Customer Service

- Can I reach a live operator to discuss my loan during convenient hours?