



## Borrowing at the Precipice

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Students face several challenges in the transition from college to medical school. One of the major challenges involved in fulfilling the dream of becoming a physician entails living within one's means. Today's students have to be much more fiscally savvy and cognizant of the implications of burdensome debt than did students in previous generations. Without this awareness, the vision of the good life as a physician and massive incurred debt inevitably will collide, as payback over 30 years becomes a reality. To graduate with manageable loans requires students to carefully control their finances by reducing debt for nonessential items. Financial aid officers use the mantra, "Don't borrow more money than you need." This presents students with the challenge to differentiate between what is truly a "need" from what is at present dispensable.

The availability of consumer loans and credit cards has facilitated an era of unprecedented consumer consumption. As a result, we have gone from an abhorrence of debt to the acceptance of credit as part of normal everyday life.<sup>1</sup> The literature is replete with articles noting that we are a spending, not a saving, society. A call for action through improving financial literacy advocates teaching people the difference between needs and wants, which becomes very difficult in a society that pushes spending.

In 2004, student loan company Nellie Mae conducted a study of credit card usage by graduate students (including medical students), and found that these students accumulate almost one and a half times more credit card debt and carry almost three times as many credit cards as other adults in their age range.<sup>2</sup> The report also revealed that 15% of medical students in the study had balances exceeding \$15,000. In a follow-up study in 2006, Nellie Mae reported that average outstanding credit card balances grew by almost 77% between the first year and fourth year of graduate study. The median balance grew by more than 125% in the same period. According to the Nellie Mae survey, some students use credit cards

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to pay for some portion of their educational expenses, including textbooks and tuition; such use is ill-advised, though, because these expenses are covered by financial aid awards at significantly lower cost.

National data from the 2007 AAMC Graduation Questionnaire show that the average *noneducational* debt of medical students who leave school with debt is \$28,845. The report unfortunately does not indicate how much of this noneducational debt is due to credit card borrowing, car loans, residency search loans, or other consumer loans. Regarding noneducation use of credit cards, Nellie Mae reported that a significant portion was spent on food, clothing, noncommuting travel, cosmetics, gifts, and auto purchase/repair. The Graduation Questionnaire further reported that the average educational debt of graduating medical students is \$138,608. It is worrisome that the questionnaire revealed that 16% of indebted graduates in 2007 had educational debts exceeding \$200,000. The noneducational debt adds an additional 20% to the average graduate's indebtedness.

### Medical Students Are Different

Unlike students in other postbaccalaureate programs, medical students do not assume their professional roles for at least three to five years after graduation. The senior year of medical school has acquired a unique cost as a result of the increase in competitiveness of many residency programs and the students' perception that they must engage in electives at these programs in order to be considered. In addition, financial aid does not cover the cost of travel to obtain residencies or relocate. Borrowing up

to \$25,000 in high-cost residency relocation loans has become much more common. While students appreciate that borrowing is a necessity in order to obtain a residency and relocate, borrowing the least amount possible while engaging in a variety of cost-saving measures would save a substantial amount in the long run.

Lifestyle expectations of medical students today are in marked contrast to those held by prior generations. Many students now prefer to live in a house rather than an apartment and commute by automobile to and from school. More students are older and have had other careers prior to entering medical school. Student populations are more ethnically and demographically diverse. More students today are married and are raising families while attending medical school. It is not surprising that within a student body there will be different expectations as to the compromises and sacrifices that should be made for the sake of pursuing a medical career. Being made more aware of the real cost of borrowing and its future impact when repayment comes due can only help such students in making more responsible financial decisions. Teaching people that sacrifice may be necessary to reach a desired goal is a very difficult concept in a society that encourages people to have it all.

### Teaching and Learning about Borrowing

Most financial experts agree that teaching students about borrowing responsibly and living within their means must begin earlier than the college years. Jolly reported that 57% of 2003 graduates entered medical school with previously incurred debt.<sup>3</sup> Student responses in the Nellie Mae graduate student survey identified the need for understanding "budgeting" and "saving strategies." Unlike many of their college graduate friends, medical students are continuing their education and are not employed; the financial aid money they receive is not a paycheck but a loan that must be repaid. It is awarded for the pur-

pose of supplementing their resources in order to meet educational goals, including reasonable living expenses.

Unfortunately, many students lack the discipline to restrain from satisfying many of their immediate desires and do not fully appreciate the future consequences of indiscriminant borrowing. They borrow to the limit of their financial aid eligibility and supplement from more expensive sources, often misusing their credit cards. For a number of years, the authors collaborated with premedical advisors within their state to run workshops on financial aid and included a variety of topics that focused on

creative ways to manage costs. These workshops provided an opportunity to meet with both college students and their parents early in the students' college years. We found this practice to be highly successful, and recommend such collaborative ventures to others.

The necessity of teaching students to live a reasonable lifestyle has implications that extend far beyond the substantial debt they can incur: Such debt may prompt future physicians to increase health care costs in order to retire their loans; students may be dissuaded from choosing primary care specialties, which traditionally pay less than other specialties; a shortage of physicians

could occur as medicine loses its attractiveness as an accessible profession. Medical students' ability to manage debt is vitally important not only to their success as physicians, but to future health care in this country. ❖

#### References

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