

*Commission  
Human Relations  
1962*

### AMA EDUCATION LOAN PROGRAM

A new source of financial assistance to medical students and to physicians in residency and internship training throughout the country is available through a loan program underwritten by the American Medical Association.

The loan plan, a function of the AMA Education and Research Foundation, assists students at any stage of their medical education, including the first year of medical school.

Financing of the program has been negotiated by the AMA with Continental Illinois National Bank and Trust Company, Chicago. Similar financing arrangements will be negotiated with other banks as the program progresses.

Loans, guaranteed against default by the AMA Education and Research Foundation, are available to full-time students in good academic standing who are United States citizens, providing they attend a medical school approved by the AMA's Council on Medical Education and Hospitals or are in residency or internship training in a hospital approved by the Council.

Medical schools and hospitals play a role in the plan by explaining the program, evaluating applicants, and providing materials for loan applications.

AMA-ERF, besides acting as guarantor for all borrowers so that interest costs can be held to a minimum, also serves additional functions. The Foundation is responsible for raising sufficient capital for the guarantee fund to meet all demands for loans and provides certain necessary administrative facilities.

The Continental Bank is the focal point of loan financing for the program, providing all processing and records administration to realize the greatest possible savings through volume and mechanization.

Guarantee funds are being solicited from physicians and other private sources. Merck Sharp & Dohme, pharmaceutical manufacturing company, has agreed to match the first \$100,000 contributed by physicians. The company has been developing a guaranteed loan plan of its own for medical students, interns and residents, but company officials decided to support the AMA program rather than set up an overlapping plan.

AMA-ERF officials said a lower cost to borrowers results from centralizing and streamlining through Continental Bank. By agreement, the cost at present during the educational period will be 5½% simple interest.

No payments of principal or interest is required during the educational or training period and no charge is made by the bank for carrying the interest that accumulates. Notes fall due five months after completion of the training period. Thus, the maximum duration is seven years and five months — from the first year in

medical school through residency. The five month grace period provides the physician time to locate after completing residency.

Borrowers are limited to \$1,500 plus interest in any single 12-month period and \$10,000 total in a seven-year period. In addition, borrowers may not be indebted for more than \$15,000 for educational purposes from all sources.

A new note, known as an "interim note," is executed each time a student borrows additional funds. Five months after completion of training, the borrower may pay off the final interim note or convert it into a pay-out note which will bear interest at a rate agreed upon at the time the first loan was made. Currently, this interest will not exceed  $3\frac{1}{2}\%$  at an add-on rate.

If the loan to be repaid is less than \$7,200, the borrower may choose a level payment of \$30 or more a month. For larger loans, a level payment schedule may be chosen, or a 10-year payment schedule selected, with smaller payments initially and progressively larger payments later in the pay-out period.

The borrower has the privilege of prepaying the loan and thus reducing interest costs. He can also transfer his loan from the Continental Bank to a local bank in the community where he establishes his practice.

AMA-ERF officials said the program requires a guarantee fund equal to at least 8% of total loans outstanding. In other words, for each \$12,500,000 of loans, \$1,000,000 must be maintained in the guarantee fund. When loan repayments begin, funds will be released to guarantee additional loans, and the program, therefore, eventually will become self-supporting.

File to Commission  
Human Resources

# WHO WANTS TO BE A DOCTOR

Problem of getting good students into medical school  
is critical in 1961-62.

Ratio of Applicant to Selected Freshman.

2.1 in 1947-1948 - 1.7 in 1961

7000 DRS Graduate per year - not enough  
Keep pace in increasing "Pop!"

Why? [1] Long Course - Young people &

want shortcuts, fast back, early marriage.

[2] Competition from Nuclear Physics, electronics

What have more scholarship - shorter training period

more money - fewer hours -

[3] This generation does see the Halo around  
of Dr. Dr. degree is being lost.

What to do? H.W. beginning return to 2 yr. <sup>Postmed.</sup>

6 yr. course above U.S., Study group at McGill  
most DRS against shortening.

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