

## Resources for Applicants

### Budgeting Basics: Managing Your Money During the Lean Years

*Let's face it. Money will probably be tight during medical school and residency. That's why a realistic budget – one you can stick to – will be critical to your financial well-being during the early years.*

#### Benefits of Budgeting

Although the word “budget” often has negative connotations, it offers many benefits. For example, you will find that a realistic budget will help you to:

- Maintain better control of your spending and be less likely to run into credit problems.
- Make sure you cover your essential expenses before making an optional purchase.
- Prepare for an unexpected expense by building an emergency fund.

#### How to Set Up a Budget

The basics are simple. You need to add up your monthly income, determine your monthly expenses, and calculate the difference to see if you have a surplus or deficit. One helpful tip is to categorize your expenses as either “fixed” (the ones that stay the same every month) or “variable” (the ones that fluctuate monthly). That way, you'll know to look at your variable expenses to make up any possible shortfall.

#### Examples of fixed expenses are:

- Rent
- Auto loan payment
- Health insurance premium

#### Examples of variable expenses are:

- Groceries
- Clothing
- Dining out

Total your monthly expenses, subtract that amount from your income, and see if your “bottom line” is in balance – or if you're running a shortfall. The [budget worksheet](#) from the AAMC can help.

#### Some Cost-Savings Measures

If you find that you have “too much month at the end of the money,” there are many ways you can reduce your spending. A few possibilities are to:

- Share housing costs with a roommate
- Clip coupons to save on grocery costs
- Carpool or use public transportation if possible
- Buy clothes at end-of-season sales
- Buy cheaper generic rather than name brands
- Buy non-perishable items in bulk
- Take advantage of those 15% and 20% off coupons from department stores
- And cut out the daily latte!

#### Some Special Considerations for Medical Students and Residents

##### STUDENTS:

Every medical school determines the total cost of attendance (COA). This is a figure that usually reflects most expenses as well as the maximum financial aid you can receive – and will be very helpful to you in formulating a budget. Request this information from your medical school's Student Financial Aid Office if it is not reflected on your award letter.

##### RESIDENTS:

If you're currently in residency, know that you are eligible for a mandatory forbearance on your Stafford, Grad PLUS, and Consolidation loans during that time. After that, you will need to incorporate your student loan repayments into your budget. See [Delaying Repayment during Residency](#) and [Repayment Options](#) for more information.

#### Look to the Internet for More Cost-Saving Tips

- “[66 Ways to Save Money](#)”, an online publication from the Federal Citizen Information Center.
- “[Be Prepared, Be Informed, Be in Charge](#),” a 12-page booklet from the FDIC containing simple money management strategies.
- “[Common Mistakes Young Adults Make with Money and How to Avoid Them](#),” an article in FDIC Consumer News.

For more information and resources, visit [www.aamc.org/FIRST](http://www.aamc.org/FIRST)

# FIRST

for Medical Education  
Financial Information, Resources, Services, and Tools

## Resources for Applicants

### The Financial Aid Application Process

*While the process of applying for financial aid varies by medical school, here are some universal steps to help you get started. Remember to always check with the financial aid office at your medical school for specific instructions.*

#### Step 1: Complete the FAFSA

Completing the *Free Application for Federal Student Aid* ([FAFSA](#)) is the first step in applying for financial aid for medical school students. In January, preferably after you have filed your federal income taxes, complete the FAFSA form, filling in both the student information **and** parent information. Parent information is typically required by medical schools for students who wish to be considered for institutional financial aid (aid given by the medical school)–even though an applicant is considered independent for purposes of federal loans. Don't forget to list your medical school's [federal ID code](#) to ensure the results of your FAFSA are sent to your medical school's financial aid office.

#### Step 2: Investigate Sources of Aid

Contact the financial aid office at your medical school to investigate available sources of institutional financial aid. Be proactive; explore additional resources for scholarships or grants. In addition to these sources are loans. The first loans to consider borrowing are federal student loans as they have the lowest interest rates,



best terms and conditions, and protections not offered by private loans. The only source of federal student loans is the Department of Education's Direct Loan program. Note: Applying for a student loan requires a separate and different application from the FAFSA. Again, talk with your financial aid office if you have questions about loans.

#### Step 3: Apply Early

Paying attention to deadlines is crucial! Obtain, read, complete and turn in applications on time, preferably early. Occasionally unexpected situations might arise that could delay your application. If you wait until the last minute to apply you may not qualify for a financial aid offer simply because of a missed deadline.

#### Step 4: Receive & Reply to Your Award Letter

Once your FAFSA results are received and processed by your medical school's financial aid office, you will receive an award letter indicating the types of financial aid and amounts for which you are eligible. Follow the directions for accepting or declining the aid. If you are accepting the aid, and it includes student loans, pay particular attention to the information about when your loan funds will be available for you.

#### Still Have Questions?

If you are still uncertain about the [financial aid application process](#) or have questions related to financial aid offered at a specific medical school, contact the financial aid office at that school. The financial aid office is always a source of information for you.

#### Remember:

- You must re-apply each year for financial aid. Check with your medical school financial aid office about required forms and deadlines.
- Maintain eligibility for your financial aid. Satisfactory Academic Progress is required to remain eligible for federal financial aid.

Borrowing 101:  
An Introduction to the World of Credit

Your ability to use “credit”—the privilege of buying something now and paying for it later—carries with it many rewards when it’s handled responsibly. Learn what goes into determining your credit, the benefits you’ll enjoy, and how to manage your credit well.

The 3 C’s of Credit

There are three basic areas that lenders consider before granting you credit:

- 1. **Character:** How well do you honor your financial obligations, as measured by your **credit report**?
- 2. **Capacity:** How easy will it be for you to repay the loan, as determined largely by your income (and the amount of debt you have in relation to it)?
- 3. **Collateral:** Will the loan be secured by something of value, such as your home against your mortgage or title against your car, which reduces the lender’s loss if you default?

Benefits of Credit

Used wisely, credit offers many advantages. Among these are:

- The ability to enjoy a product you could not otherwise afford if you had to pay for it upfront
- The convenience and safety of not having to carry large amounts of cash
- The peace-of-mind that comes

from having emergency funds for unexpected expenses

- The ease of recordkeeping you’ll enjoy with one monthly bill for numerous purchases

Tips to Manage Your Credit Wisely

Maintaining your credit well is not rocket science. Basic tips include:

- Pay your bills on time...pay your bills on time!
- Don’t “max out” your credit card by charging to the limit
- Pay at least the minimum on all cards, but allocate the most to the one with the highest interest rate
- Don’t succumb to impulse purchases that exceed your budget and make repayment difficult
- Check your **credit report** for errors (and to protect against identity theft)
- Save copies of your sales receipts and compare them to your monthly statement

The Impact of Bad Credit

Poor credit can result in negative consequences, such as:

- Failing to qualify for the purchase of a home, car or other “big-ticket” item
- Paying more for a loan—in the form of higher interest rates—if you do qualify
- The possible loss of a job opportunity if an employer does a credit check
- Difficulty renting an apartment or entering into other contractual arrangements

Just Starting Out?

Take a look at *Getting Credit: What You Need to Know*, a free online publication by the Federal Trade Commission.

See Related Topics:  
Your Credit Report  
Your Credit Score

Stafford Loans 101

Direct Stafford loans are federal education loans with one of the lowest interest rates of any education loans available. For this reason, borrowers should be certain to maximize all Direct Stafford loan options before borrowing other loans.

What is a Direct Stafford Loan?

Direct Stafford Loans are federal fixed-rate (meaning the interest rate remains the same throughout the term of the loan, currently 6.8%) loans for students, who enroll at least half-time, to help pay for their education. These loans, low cost and the most common, are available from the federal government’s Direct Loan Program.

How Is Eligibility Determined?

In order to apply for a Direct Stafford Loan, you must first complete the Free Application for Federal Student Aid (FAFSA). The resulting Institutional Student Information Report (ISIR) is sent to your school and determines your need. This sets the stage for how much loan funding to borrow. Whether you apply electronically or complete a hard copy loan application, the financial aid office must certify your eligibility before the application can be processed by the lender. To certify loan eligibility, the financial aid office determines your “financial need” using your medical school’s Cost of Attendance (COA). See "Determining Need" box at right.



Two Types of Direct Stafford Loans – Subsidized and Unsubsidized

While Direct Subsidized Stafford loans are awarded based on financial need, Direct *Unsubsidized* Stafford loans can be awarded to any eligible applicant, and are not based on financial need. Interest on Direct Subsidized Stafford loans is paid by the federal government while you are enrolled (at least half-time) and during periods of authorized deferment. Interest on Direct *Unsubsidized* Stafford loans accrues from the date the loan is disbursed until it is paid in full.

How Much Can I Borrow?

Students can borrow only what’s needed to meet their personal budget or cost of attendance as determined by their school’s financial aid office.

The annual maximum Direct Subsidized Stafford loan amount for graduate students is \$8,500; the annual maximum\* Direct *Unsubsidized* Stafford loan amount is \$32,000. Using the example below, to meet a \$47,250 “need”, a student would borrow \$8,500 through a Direct Subsidized Stafford loan and \$38,750 via a Direct *Unsubsidized* Stafford loan.

Determining Need			
The formula is straight forward – “cost of attendance (COA)” minus the “expected family contribution” (from the ISIR) and minus any financial aid = need.			
\$53,000	Cost of Attendance		
– \$5,750	Family Contribution		
\$47,250	Need		

\*Medical school students are permitted to borrow additional unsubsidized funds beyond the annual maximum as higher limits are available to health professions students.

Remember to contact your financial aid office: they are your first resource when you have questions about borrowing student loans, or other financial aid concerns.