FIRST for Medical Education

Financial Information, Resources, Services, and Tools

AAMC
Tomorrow's Doctors, Tomorrow's Cures®

Resources for Enrolled Students

Association of American Medical Colleges

Unforeseen Emergencies and Financial Needs—What to Do?

Occasionally unforeseen emergencies happen that can affect your finances, and your eligibility for financial aid. Financial aid administrators have the authority to make adjustments to your original financial aid eligibility (determined by the FAFSA).

Initial eligibility for financial aid is determined by information you provided on the Free Application for Federal Student Aid (FAFSA). However, there can be unexpected or unusual circumstances that have a significant negative impact on your financial stability or well-being. Examples of these situations may include a spouse's loss of employment, unexpected medical expenses, or a home foreclosure, among others, and may be reasons to consider talking with a financial aid administrator about re-calculating your eligibility.

Who can make a professional judgment decision?

Only your school's financial aid administrators can review your case and make a decision. Section 479A of the Higher Education Act, gives financial aid administrators the authority to make adjustments, on the basis of adequate documentation, and only on a case-by-case basis. It is important for you to provide as much corroborating documentation as you can to illuminate your situation for the Financial Aid Office. For example, if you were laid off from your job, providing notification of this action from your former employer would be an important piece of documentation, in addition to your final pay stub. Please note that while you may believe that your particular situation warrants a favorable professional judgment decision and an adjustment to your eligibility, the decision of the financial aid administrator is final and, if not approved, cannot be appealed.

What is the process to request professional judgment?

The financial aid office at your school should have an established procedure in place to request a professional judgment decision. Inquire about the procedure and ask questions so that you understand what is expected regarding appropriate documentation. Talk with your financial aid office if you have questions about your particular circumstances.

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.

Taking Control of Credit Card Debt

If you are only paying minimum monthly payments on your credit cards, you're doing yourself a huge disservice. Instead, step back, breathe deeply, and get your credit card debt under control.

Signs you could be heading for trouble

There are tangible signs that you're either headed for trouble—or you are already there.

- Depending on credit to pay for the basics like food and utilities
- Responding to offers to transfer balances from one card to another
- Increasing your credit line
- No cushion in your financial life for even a small or unplanned expenditure
- Making only minimum monthly payments
- Ignoring credit card statements
- Maxing out on all of your cards

Fixing the problem

First and foremost: GET HELP. You don't have to face this alone. It's easy to lose control of your credit and to let it run away from you, but there are ways to get it back. Depending on your situation, there may be a variety of solutions.

- Talk to your financial aid officer. Often, your FAO will have dealt with similar situations and will be able to provide sound guidance.
- Go back to the basics, work on a budget (see First Fact Sheet on budgeting www.aamc.org/programs/first/facts/budgeting.pdf)
- Develop or revise a budget to see how you can afford to start paying down your credit card balances.
- Call your credit card company(ies) and work out a repayment plan.
- Negotiate!– If you do work out a repayment plan with your credit card company, make sure to be clear on the interest rate. Although it's not widely known —often times you can negotiate rates.
- If your situation is more complicated, seek the advice of a professional credit counselor.

Take Positive Steps to Get Out of Debt

Remember: Creditors would rather work with you to help you pay off your loans and repair your credit than have you default. You have options. You don't have to give up, but you do have to get out of debt.

Don't fall into the minimum payment trap!

It costs time and money.

If your credit card has a 17% annual interest rate and a balance of $2,000 and you only make minimum payments each month, it'll take you over nine years to pay off the card.

You'll pay over $1,000 in interest, or $3+ for every $2 charged on the card.

Protect Against Identity Theft

The Federal Trade Commission estimates that as many as 9 million Americans have their identification stolen each year. Don't be one of them!

Guard your Social Security number

- Do not carry your card with you.
- Keep your card in a secure location.
- Do not use your number on your driver's license or checks.
- Take advantage of "alternative" identification codes to log in to personal information online (when available).
- Do not provide your social security number to callers if you have not initiated the phone call.
- Shred paperwork that contains your social security number (as well as credit card receipts, bank statements, and other material that contains personal information).

Check your credit report annually

- Take advantage of the federal Fair Credit Reporting Act that requires each of the three nationwide credit bureaus to provide you with a free report once a year. Get your free report at **www.annualcreditreport.com.**
- Check for debts that are not yours and/or accounts you did not open as well as any other erroneous information

Make certain your passwords are difficult to guess

- Do not use passwords that are easy to guess (such as your birthday or a patterned number like 2-4-6-8) or names (such as your mother's maiden name or your occupation).

Be alert to the signs of identify theft

- The Federal Trade Commission (FTC) advises that you be alert for:
    - accounts you did not open
    - inaccurate information on your credit reports
    - failure to receive bills
    - receipt of credit cards for which you did not apply
    - being denied credit or contacted by debt collectors for no apparent reason

Additional information is available on the FTC's website. See box above.

Learn How to Correct Errors... Step by Step

The Federal Trade Commission offers ***detailed guidance*** on the steps you need to take to correct errors on your report. Please review it for full information.

Know What to Do if You've Been Victimized

The Federal Trade Commission's **web site on identify theft** provides you with the steps to follow if your identification has been stolen. Please visit it for these instructions as well as additional information to help you defend against ID theft.

For more information and resources, visit www.aamc.org/FIRST