

Resources for Residents

Association of
American Medical Colleges

Steps for Making a Big Purchase

Medical students and residents sometimes want or need to purchase a house, a car or other expensive items before their education or training is complete. With large purchases come valid concerns about student loan indebtedness and limited residency salaries. However, if approached wisely, these concerns can be mitigated and the item can be purchased.

Preparing to Buy

Step #1: Understand and Protect your Credit Score – Your FICO score (credit score) will determine the interest rate of your loan. To get the lowest interest rate possible, try to raise your credit score prior to making any large purchase. This can be done, but it will take time... so plan accordingly:

- Always pay bills on time (medical school provides 4-years to make on time payments)
- Pay down credit cards and other revolving debt
- Limit borrowing and avoid opening additional lines of credit

Additionally, be aware of Identity Theft. It's a rampant crime and the most proactive action you can take is to periodically review your credit report at www.annualcreditreport.com.

Step #2: Know How Much You Can Afford – Knowing what you *really* can afford hinges on having a current and accurate budget. Once you determine the monthly payment you can comfortably afford, then it's time to move to the next step.

The Buying Process

Step #3: Start Shopping for a Loan – Yes, it seems backwards, but it makes most sense to shop for a loan before you shop for the item. By comparing lenders and their loan products, not only will you be able to find the best deal, but you will also have a clear understanding of the total cost (fees, points, rates, etc) associated with the big purchase. If a pre-approval letter is needed during your purchase, any of these lenders can now provide it. (Note: make sure you limit shopping to a short span of time to avoid unnecessarily hurting your credit.)

Step #4: Start Shopping for your Big Purchase – Depending on the item, professional assistance may be required during this step. For a home purchase, a licensed real estate agent is suggested (especially if you are unfamiliar with the area). For a car purchase, a trusted mechanic may be needed to inspect your possible choice. When a final selection has been made, there will be negotiations, paperwork, additional inspections etc. Often, the most stress will come at the tail-end of the transaction.

Things to Avoid:

- A lender pushing you into a monthly payment you do not feel comfortable with

- Stay away from alternative loans with options like interest-only payments

Final Tips:

- When buying a car, try to buy used... as soon as you leave the dealership in that new car, it becomes a used car and you've immediately lost a significant amount of the value.
- By reducing your required monthly payments on other debt, it can increase the loan amount for which you qualify. This means, forbearance on student loans may help you qualify for more house or car. But be wise... when your residency ends, the house, car and student loan bills will all need to be paid. Budget and spend accordingly.
- Remember: it is not how much you make, but *how much you save*. Be sure you are taking retirement saving into consideration when planning and budgeting for major purchases.

Other Resources

Buying a House:
www.hud.gov/buying/

Buying a Car:
www.edmunds.com/advice or
www.kbb.com/kbb/advice

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Doing Well by Doing Good: Public Service Loan Forgiveness

If your career aspirations include work in the public service sector, you'll find that the reward is not only psychological – but possibly monetary, as well. That's because the College Cost Reduction and Access Act of 2007 established a program that forgives some federal student loans under certain circumstances.

Program Summary

This government program provides for the forgiveness – or cancellation – of the remaining balance (principal and interest) due on eligible federal Direct student loans after the borrower has made 120 monthly payments to Direct Loans while employed in qualifying public service jobs.

Borrowers must have made 120 monthly payments after October 1, 2007 in the Direct Loan Program; therefore, the first cancellations of loan balances will not be granted until October 2017 (at the earliest).

Eligible Loans

Eligible Loans: Any non-defaulted loan made under the Direct Loan Program may be eligible. These include:

- Federal Direct Stafford Subsidized and Unsubsidized Loans
- Federal Direct PLUS Loans, including Grad PLUS
- Federal Direct Consolidation Loans

Eligibility of Other Federal Loans:

Borrowers with loans made under the following federal student loan programs may be eligible if they consolidate those loans into the Direct Loan Program*:

- Federal Family Education Loan (FFEL) Program, which include subsidized and unsubsidized Stafford Loans, PLUS Loans, and Consolidation Loans
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

*Only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

Eligibility Requirements

1. Repayment Plans: Borrowers must not be in default on the eligible loan(s) and have made 120 monthly payments beginning after October 1, 2007. Eligible repayment plans are:

- Standard Repayment
- Income Contingent Repayment
- Income-Based Repayment

- Other Direct Loan repayment plans, if certain conditions are met

2. Public Service Jobs: Borrowers must be employed full-time (at least 30 hours per week) in a qualifying public service job (a) during the period in which he or she made each of the 120 monthly payments, (b) at the time of application for loan forgiveness, and (c) at the time the remaining principal and interest are forgiven.

Qualifying Public Service Jobs

“Qualifying public service jobs” includes work in all 501(c)(3) non-profit organizations, including medical schools and teaching hospitals. Sample fields include:

- Emergency management
- Government
- Military service (active duty)
- Public safety
- Public health
- and more*

*For a complete list of eligible jobs and additional information on the program, read [Loan Forgiveness for Public Service Employees](#) published by the U.S. Department of Education.

Resources for Residents

Commissioned Corps & U.S. Civil Service Scholarship and Loan Repayment Options

Interested in a service career? Or maybe you want to pay off your medical school debt by working in public service? Good news—there are numerous scholarship and loan repayment possibilities in the Commissioned Corps, and in the U.S. Civil Service. With each program, there are many options to consider, each with different financial benefits. Some of the more common opportunities are highlighted below.

Commissioned Corps

The **United States Public Health Service Commissioned Corps** (PHSCC) is the federal uniformed service of the United States Public Health Service (PHS) consisting of only commissioned officers as one of the seven uniformed services of the United States. The PHS Commissioned corps fills public health leadership and service roles within federal government agencies and programs.

Civil Service Programs

It is possible to serve in the Indian Health Service (IHS), the Centers For Disease Control, the National Institutes of Health and other federal agencies as a Civil Servant and meet the qualifying criteria for a scholarship, loan repayment, or a Loan Forgiveness Program. A civil servant or public servant is a civilian public sector employee working for a government department or agency.

Commissioned Corps & Civil Service Repayment and Scholarship Opportunities

For details on many of the programs discussed above, as well as opportuni-

ties within the U.S. military, view the AAMC's chart on Commissioned Corps and U.S. Civil Service Scholarship and Loan Repayment Options. The document is organized by service or program title, commissioned or non-commissioned positions, scholarship or loan repayment program, pre/post-graduation requirement, scholarship or repayment amount, minimum length of commitment, key information and web site. Note: for optimal printing, please use legal size paper due to the width of the chart.

Loan Forgiveness Options

- See the Public Service Loan Forgiveness Fact sheet for additional information on other loan forgiveness options.
- Utilize the AAMC's free searchable database of state and federal loan repayment and forgiveness programs at www.aamc.org/stloan.
- Research the significant financial resources offered by the U.S. Department of Health and Human Services loan repayment programs at www.hrsa.gov/help/healthprofessions.htm.

Commissioned Corps and U.S. Civil Service Scholarship and Loan Repayment Options

Service/Program	Commissioned/Non-Commissioned	Scholarship / Loan Repayment Program (LRP)	Pre/Post Graduation Commitment	Amount	Minimum Commitment	Key Information	Web Site
Air Force Health Professions Scholarship Program		Scholarship	Pre Graduation	Payment for educational expenses in a degree program leading to an MD. Monthly stipend of approximately \$1,937.	Year for your obligation. Minimum three years service.	Must be a U.S. citizen. While on scholarship, 45 days active duty required.	www.afmcc.com/yourbenefits.html
Air Force Family Advocacy Program		Scholarship	Post Graduation	May receive more than \$45,000 annually to finish residency. Monthly stipend of approximately \$1,937.			
Air Force Loan Repayment Program		Loan Repayment Program	Post Graduation	Maximum repayment for 2009 is \$40,000 less tax liability.	Minimum two years, one year active duty for each annual of repayment.		www.afmcc.com/yourbenefits.html
Active Duty Health Professions Loan Repayment Program (ADHLRP)							
Army Health Professions Scholarship Program	Non-Commissioned	Scholarship	Pre Graduation	Payment for educational expenses in a degree program leading to an MD. Monthly stipend of more than \$1,937.	Year for your obligation. Minimum three years active duty.	Must be a U.S. citizen. While on scholarship, 45 days active duty required.	www.army.mil/med/health.htm
Army Financial Assistance Program		Scholarship	Post Graduation	If in accredited residency, may receive up to \$45,000 annual grant plus ms. stipend of more than \$1,937.	Length of FAP benefit + one year	Must be a U.S. citizen.	

Resources for Residents

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

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