Financing Your DENTAL EDUCATION

adea.org/GoDental

AMERICAN DENTAL EDUCATION ASSOCIATION
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If you want to join a caring and growing profession—the *U.S. News and World Report* ranked Orthodontist as #1 and Dentist as #2 on its “100 Best Jobs” list of 2016—DENTAL SCHOOL MAY BE IN YOUR FUTURE.

Dental school graduates, like their colleagues in allopathic and osteopathic medicine, have a reputation for responsible repayment, and we believe that more than a few aggressively repay their loans in less than ten years. The average debt for all indebted dental school graduates in the class of 2016 was $261,149, yet recent survey results for Class of 2016 indicate a high percentage of graduates are interested in aggressive repayment. In fact, private lenders target dental school graduates for refinancing, in part, due to their record of timely repayment.

For most students, you’ll still need to figure out how you’re paying for your education. Graduating dental students often say they wish they had paid more attention to their finances before they enrolled and during dental school. Now is your chance to start!

The following guide, developed by the American Dental Education Association (ADEA), will address some of the questions we hear most often, and provide the info you need to ensure you’re making informed decisions about financing your dental education.

**WE’LL COVER FREQUENTLY ASKED QUESTIONS SUCH AS**

<table>
<thead>
<tr>
<th>HOW DO I FIND OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOW MUCH DENTAL SCHOOL WILL COST?</strong></td>
</tr>
<tr>
<td>WHAT KIND OF <strong>FINANCIAL AID IS AVAILABLE AND HOW DO I APPLY FOR IT?</strong></td>
</tr>
<tr>
<td>WHAT DO I NEED TO KNOW ABOUT <strong>LOANS TO MAKE AN EDUCATED DECISION?</strong></td>
</tr>
<tr>
<td>HOW DO I <strong>MANAGE MY STUDENT LOANS?</strong></td>
</tr>
</tbody>
</table>

**WANT MORE INFORMATION?** Check out our website at adea.org/GoDental.
The cost of attendance ("COA", or student financial aid budget) is an estimate of the total amount of money it should cost most students at a specific institution to attend one year of dental school.

The COA changes each year and is an important number to know, as it represents the maximum amount of financial aid from all sources a student may have in any given year. As you apply for financial aid annually, you’ll want to account for any changes in the cost of your education.

You should be able to find the COA in the ADEA Official Guide to Dental Schools or on dental school Financial Aid Office (FAO) websites; otherwise contact them directly for this important information. Note that there may be differences in costs such as tuition based on your state of residence.

With the exception of tuition and fees, you have some control over many of the expenses in the COA. These often comprise a substantial portion of your student financial aid budget; in some cases, well over a third of the entire budget.

One of the simplest ways to budget for dental school is to take those expenses in your COA designated as living expenses, divide that number by the number of months in your student financial aid budget (9 to 12) resulting in a monthly living allowance, then compare that against the monthly budget you have personally established and how much you actually spend each month.

The Association of American Medical Colleges/ADEA Dental Loan Organizer and Calculator is an educational debt management tool designed specifically for dental school students and residents and should prove a tremendous resource for borrowers who need help managing their student loans. The AAMC/ADEA DLOC is designed to help promote responsible borrowing and responsible repayment by running repayment scenarios based on an individual’s career plans following dental school, including any plans for advanced dental education.

While you can borrow up to the full COA with federal loans (a combination of direct unsubsidized and direct PLUS, less other aid), we encourage you to consider not borrowing the full amount up front and trying to live on a lesser amount if possible.

Doing so will set a strong precedent for your financial wellness during school and beyond.
WHAT KIND OF FINANCIAL AID IS AVAILABLE?
HOW DO I APPLY FOR IT?

If you’re applying for financial aid, you will need to complete a Free Application for Federal Student Aid (FAFSA) form along with any other documentation your school requires. Make sure you contact the dental school’s FAO to find out what need-based funds are available and what the deadlines are to apply. You will need to complete the FAFSA each year you are seeking financial aid.

GRANTS AND SCHOLARSHIPS

Grants and scholarships are your best financing options, as they never have to be repaid. Grants and scholarships available directly from the school may be based on need or merit, or a combination of both. Some scholarships are tied to a service commitment (for example, the National Health Service Corps [NHSC] and the U.S. armed forces).

In general, there are three categories of grants and scholarships to consider:

Institutional Grants and Scholarships
• Based on need and/or merit. Check with the dental school’s FAO about applications and deadlines.

Outside Scholarships
• Awarded by organizations other than the school.
• You must apply for these independently.
• Use free search engines, such as www.fastweb.com.
• Report receipt of these scholarships to the dental school FAO.

Service Commitment Scholarships
• Provide financial support while you are in school in exchange for your service after graduation.
• These are similar to loan repayment programs except that you make the commitment earlier and receive the funds earlier.
• The U.S. armed forces, NHSC and Indian Health Service offer programs.

LOANS

Loans must be repaid. The majority of dental students use student loans, most frequently Unsubsidized Federal Stafford and direct PLUS Loans, to help them pay for dental school. Make sure you understand the different types of loans and the benefits and downsides of each before seeking them out. We’ll get into further detail later in this document.

WORK-STUDY PROGRAMS

While working may be very challenging during dental school, ask the dental school’s FAO about work-study programs if you want to pursue this option.

FELLOWSHIPS AND TRAINEESHIPS

Talk with your FAO regarding availability of these funds and application deadlines.

EDUCATION TAX BREAKS

These tend to be “back end” benefits for some students and graduates who file a tax return. Consult with a professional tax advisor or other qualified financial advisor for assistance.
WHAT DO I NEED TO KNOW ABOUT LOANS TO MAKE AN EDUCATED DECISION?

Of all students, dental students present the least risk because they tend to earn a good living directly out of their 4-year program. If you are considering a loan, there are several types of student loans for which you may be eligible.

- **Federal**, including direct unsubsidized and direct PLUS (formerly called Grad PLUS)
- **Campus-based**, including federal Perkins, Health Professions Student Loans (HPSL), Loans for Disadvantaged Students (LDS), and institutional loans
- **Private loans**

The direct unsubsidized and direct PLUS loans generally comprise the majority of dental students’ loan portfolios.

Federal loans have by far the most flexibility in terms of repayment, postponement and forgiveness options when compared with private loans.

However, some students are attracted to private loans because of possibly lower interest rates, especially if they can get a creditworthy cosigner on the loan. We strongly advise you to speak with your FAO before taking out private loans in lieu of or in addition to federal student loans.

The chart below provides a quick look at the differences in the various loan programs for which you may be eligible. Note the differences between federal and private loan programs.

### QUICK COMPARISON OF FEDERAL LOAN PROGRAMS FOR DENTAL STUDENTS

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<th>LENDER</th>
<th>ELIGIBILITY</th>
<th>ANNUAL LIMIT</th>
<th>INTEREST RATE</th>
<th>INTEREST SUBSIDY</th>
<th>GRACE PERIOD</th>
<th>PUBLIC SERVICE LOAN FORGIVENESS ELIGIBLE</th>
<th>POST-PONEMENT OPTIONS</th>
<th>REPAYMENT PLANS</th>
<th>CITIZENSHIP</th>
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<tr>
<td><strong>DIRECT UNSUB</strong></td>
<td>Federal Government</td>
<td>Based on COA</td>
<td>$40,500</td>
<td>Fixed, changes on new loans each July, max rate of 9.5%</td>
<td>None</td>
<td>6 Months</td>
<td>Yes, assuming other requirements met</td>
<td>In-school deferment and residency forbearance; other limited options</td>
<td>Multiple options, including plans tied to income</td>
<td>U.S. citizen or permanent resident</td>
</tr>
<tr>
<td><strong>DIRECT PLUS</strong></td>
<td>Federal Government</td>
<td>Based on COA</td>
<td>COA less other aid, including direct unsubsidized</td>
<td>Fixed, changes on new loans each July, max rate of 10.5%</td>
<td>None</td>
<td>None, but 6-month post-enrollment deferment similar to grace period</td>
<td>Yes, assuming other requirements met</td>
<td>In-school deferment and residency forbearance; other limited options</td>
<td>Multiple options, including plans tied to income</td>
<td>U.S. citizen or permanent resident</td>
</tr>
<tr>
<td><strong>CAMPUS BASED</strong></td>
<td>School</td>
<td>Based on need, see FAO for details</td>
<td>Varies, usually 5% fixed</td>
<td>Usually during school, grace and deferment</td>
<td>6-12 months, depends on loan type, see FAO for details</td>
<td>No</td>
<td>Usually in-school; see FAO for details</td>
<td>Usually 10 years</td>
<td>Usually U.S. citizen or permanent resident</td>
<td>Check with lender, usually same as for federal loans; may be eligible with a creditworthy cosigner who is U.S. citizen or permanent resident</td>
</tr>
<tr>
<td><strong>PRIVATE</strong></td>
<td>Private Lender</td>
<td>Varies by Lender</td>
<td>Variable or fixed</td>
<td>Varies, see lender for details</td>
<td>No</td>
<td>Usually in-school; see lender for details; there may be a fee to postpone</td>
<td>Varies, usually based on amount borrowed</td>
<td></td>
<td></td>
<td></td>
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</table>

For more details on these loan programs and their availability, be sure to contact your dental school’s FAO.
WHAT ELSE DO I NEED TO KNOW?

Understanding student loan terms, phrases, references and programs will help you borrow and repay responsibly.

HERE IS SOME IMPORTANT INFORMATION YOU SHOULD BE FAMILIAR WITH.

Loan servicer
- The organization your lender (the federal government for direct loans) contracts with to work with you in repayment.
- Major loan servicers for federal loans currently include FedLoan Servicing, Great Lakes, Navient and Nelnet.
- Federal loans (direct unsubsidized and direct PLUS) are usually serviced by the same loan servicer, negating for many the need to consolidate.

Interest rates
- This is what your lender charges you to use their money, referenced as a percentage, and the higher the rate, the more expensive the loan.
- Interest rates on direct unsubsidized and direct PLUS loans change each year on new loans disbursed on or after July 1 of any given year; this means you are likely to graduate with multiple loans each with a different fixed interest rate.
- Maximum rates on new loans are 9.5% and 10.5%, respectively.
- Rates on campus-based loans are usually fixed at 5%.
- Rates on private loans are variable or fixed.

Forgiveness provisions
- Remaining direct loan balance is forgiven under income-driven repayment plans such as Income Based Repayment (IBR), Pay As You Earn (PAYE) and Revised Pay As You Earn (REPAYE) after 20 or 25 years (depending on plan chosen), but forgivable amount is subject to tax under current tax law.
- These forgiveness provisions have nothing to do with your type of employment.

Public Service Loan Forgiveness
- Direct loan balance is forgiven after 120 payments with an income-driven repayment plan as long as borrower works full time for a nonprofit public sector employer, including academic dentistry; balance forgiven is not subject to tax.
- See www.studentaid.ed.gov under How to Repay Your Loans for details.

Service commitment programs
- Unlike forgiveness programs where the lender (the federal government) actually forgives your remaining balance after certain conditions are met, these organizations provide direct financial support to help pay your loans in exchange for your service commitment.
- Examples include the National Health Service Corps, the Indian Health Service, the National Institutes of Health, and the U.S. armed forces.
- Be sure to ask how the financial support is treated for tax purposes when looking at these programs.

Good standing on prior loans from college and postbacalaureate programs
- Always confirm the status of any loans you have prior to dental school, including private loans.
- You should be in an in-school deferment status on federal loans.
- Interest will accrue on any unsubsidized loans during dental school.

Impact of private loans from college on repayment strategy
- Be sure you know the repayment and postponement terms of private loans from college, as these often have a limited period of postponement and may come due during dental school or immediately upon graduation, which can impact advanced dental education.

Student loans and advanced dental education
- Students enrolled in academic-based advanced dental education programs may need to borrow additional funds for their programs, but should find that payments on their federal loans are deferred during that time.
- Students in hospital-based residency programs will need to either enter active repayment when their loans come due (perhaps with an income-driven plan) or postpone payments with mandatory residency forbearance.
Unlike gift aid such as grants and scholarships, student loans must be repaid.

What if you have existing loans? Prior loans will rarely impact borrowing ability for dental school, but you need to ensure you stay in good standing with them by making payments on time.

Make sure you plan ahead for repayment so there are no surprises when you graduate in terms of not only what you borrowed, but what your payments look like under the various repayment plans available to you.

Student loans are only one component of financial wellness. As you consider not only what to borrow but also how to responsibly repay your student loans, don’t forget to consider their impact on your overall long-term financial standing, including implications for your credit and taxes.

Timely repayment of your student loans is an excellent way to establish and help build your credit, as approximately 35% of your credit score comes from your record of timely repayment of financial obligations, including student loans.

Many students have what are considered “thin” credit files, and thus timely payment may help with future financing needs, including a mortgage and buying into a practice. Don’t be overly concerned that simply borrowing student loans will adversely impact your credit score, as this perception is not really the case.
Figuring out how to best finance your dental school education may feel like an overwhelming task. At the end of the day, dentistry is a truly rewarding profession, and you should not let the cost of your education deter you.

There is a lot of support available to you, from the FOAs to online resources such as ADEA GoDental® and the AAMC/ ADEA DLOC.

ADEA GoDental offers many resources for students considering dental school at adea.org/GoDental.

Be sure to follow ADEA GoDental on Facebook, Instagram, Twitter and YouTube.

ADDITIONAL RESOURCES

ADEA and ADEA GoDental YouTube Videos on financing and managing your dental education
- https://www.youtube.com/watch?v=tsIbMqXCG_0
- https://www.youtube.com/watch?v=U4rLitlaYow&feature=youtube

AAMC/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC)
- http://www.adea.org/DLOC/

Link to FAFSA application
- https://fafsa.ed.gov/

Resources for International Students
- http://www.adea.org/GoDental/Money_Matters/International_Students.aspx

Repayment Options and Descriptions
- http://www.adea.org/GoDental/Money_Matters/Repayment_plans_and_repayment_strategies.aspx

Information in this white paper adapted from Chapter 8 of the 2017-2018 ADEA Official Guide to Dental Schools. Chapter 8 was authored by Paul Garrard, M.B.A., Consultant Senior Advisor for Student Financial Services, American Dental Education Association.