

CHAPTER 4

FINANCING YOUR DENTAL EDUCATION

As we explained in chapter 1, one of the benefits of becoming a dentist is the high level of professional income you can expect to earn over the course of your career. But if you're a prospective student without significant personal or family resources and are already, perhaps, carrying student loans from your undergraduate studies, you may think, "How can I possibly get there from here?" There is no denying that dental school is expensive, and it's easy for prospective students to see this cost as an insurmountable obstacle and to wonder how in the world they can afford such an expense. The basic message is, "you can!"

Regardless of your socioeconomic background you can afford a dental education through a combination of financial aid and wise management of your money. It is important for you to keep four things in mind regarding the cost of dental school.

- First, as a dentist, your anticipated income will enable you to repay educational loans in a timely fashion. The most recent American Dental Association survey of dentists who graduated in the last ten years found that only 17 percent needed to extend their repayment periods beyond the standard ten years, while 27 percent had been able to accelerate their payments to pay off their loans early.
- Second, a dental education is a sound investment that will pay off in both significant lifetime income and other professional benefits. Dentists are in the top five percent of the nation's wage earners. Though incomes vary across the country and depend on type of practice, in 2002 the average net income for new dentists graduating from U.S. dental schools between 1999 and 2001 was \$142,461; for graduates between 1996 and 1998 it was \$153,174; and for graduates between 1992 and 1995 it was \$174,565.
- Third, you are not alone in needing help in financing your dental education. Most dental students rely on financial assistance to help pay for dental school.
- And, fourth, funds to help you pay for dental school are readily available. While grants, scholarships, and loan assistance are certainly not inexhaustible, their availability means that a shortage of money should not be an insurmountable obstacle to your attending dental school.

As you will see in the individual dental school entries in Part II of this book, tuition and fees vary widely from school to school. One of the biggest factors is the cost of tuition, which depends on whether the school is a private or state-supported institution. Living expenses will also vary as they reflect the cost of living in the area where the school is located.

Your particular needs will depend on your family's financial circumstances and where you pursue your dental education. This chapter will introduce you to the financing basics: how to apply for student aid; what loan, scholarship, and grant options are available; how to plan to repay your student debt; and how to build and keep good credit. The chapter ends with a glossary of terms related to student aid. It can help you communicate effectively with the experts who will assist you with this important process.

TYPES OF FINANCIAL AID

Financial aid programs are available to cover the education costs you or your family cannot pay for. Two major types are available to dental students: 1) scholarships and grants, both of which are gift aid and can be based on merit, special interests, or financial need; and 2) loans, which are funds that must be repaid. Later in this chapter we will explain different types of scholarships and grants. This section focuses on applying for federal aid, open to U.S. citizens and eligible permanent residents, which constitutes the majority of all available financial aid.

Need-based programs can include subsidized, low-interest loans, grants, scholarships, and work-study programs (which allow you to work, usually on campus around your class schedule). The amount of total need-based aid you can receive is determined by the following formula: $\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}$.

The cost of attendance is determined by the dental school where you enroll. The calculated family contribution is based on the financial information that you (and perhaps your family) provide on the school's financial aid application forms.

Most need-based aid is sponsored by the federal government and is administered by the U.S. Department of Education (ED) in the case of Title IV aid and the U.S. Department of Health and Human Services (HHS) in the case of Title VII aid. Many dental schools offer institutional need-based assistance, as do a number of states. Loans are usually either low interest or interest-free while you are enrolled in school. To receive need-based funds from federally sponsored programs, you must meet other eligibility criteria including being a U.S. citizen or permanent resident and maintaining satisfactory academic progress.

Cost-based aid (also referred to as non-need based aid) is different from need-based aid because it does not require you or your family to demonstrate financial need. Instead, cost-based aid is determined as follows: $\text{Cost of Attendance} - \text{Estimated Financial Aid} = \text{Cost-Based Eligibility}$

As a result, cost-based financial aid can serve as a useful financing mechanism for students who may not qualify for adequate need-based assistance and have minimal financial resources of their own to pay for the full cost of their dental education. The federal government, private organizations, and some dental schools offer cost-based loan assistance programs. Note that cost-based aid consists **primarily** of loans, and creditworthiness is usually a criterion for eligibility. A student's total education loan debt may also be a factor in determining eligibility for cost-based aid.

Merit-based and other non-need-based grants and scholarships are given to students who meet certain criteria. These funds may be awarded by the dental school itself, private organizations, and individual states.

APPLYING FOR FINANCIAL AID

To begin the process, you will need to complete and submit a Free Application for Federal Student Aid (FAFSA). This U.S. Department of Education form is designed to determine your eligibility for federal and state financial aid and should be completed as soon as possible after January 1 of the year you plan to begin dental school. There is no charge for acquiring or submitting the form. You can obtain a copy of the FAFSA on the web at www.fafsa.ed.gov or from your college or university. **It is best to submit the FAFSA electronically.** This website provides a worksheet and also answers a range of questions.

At about the same time, using the information in Part II of this guide, you should contact the dental schools where you plan to apply to ask if you need to fill out additional financial aid forms or submit other materials. Application requirements vary from school to school. You may be required to submit the FAFSA application, an institutional application, and tax returns. Some schools may require parental financial information for you to be

considered for institutional or need-based financial aid. Parental information is required if you want to be considered for federal Title VII financial aid programs (see glossary).

You must meet schools' application deadlines to be considered for the most favorable types of financial aid. Be aware that meeting deadlines could make the difference in the type of financial aid you receive, *so find out what they are and don't procrastinate!*

The financial aid application process may seem complicated. Remember that most dental students receive financial aid, and that financial aid officers at dental schools are prepared to serve as resources.

■ Basis for Awarding Financial Aid

Financial aid funds are awarded to students on the basis of financial need, cost, merit, group association, or on a combination of factors. Dental students are generally considered independent students (that is, not dependent on their parents) and are expected to contribute their own income and assets toward educational costs. Financial aid officers will conduct a need analysis of your and, if applicable, your spouse's information. In some cases, your parents' financial information will also be used to determine whether you are eligible for financial aid.

You may be required to submit copies of your (and your spouse's) tax returns to substantiate the information you provided on your FAFSA. Depending on the type of financial aid programs for which you are applying, you may be required to provide your parents' financial information on the FAFSA as well as copies of their tax returns. Schools may also have additional forms, such as an institutional financial aid application and may request other documentation from both you, your spouse, and, possibly, your parents.

Income tax returns reveal certain kinds of untaxed income, such as interest from tax-exempt bonds, untaxed portions of pensions and social security benefits, and earned income credits. Tax returns can also be useful in interpreting more complex situations, especially when income is derived from sources other than wages or salaries from employment. Wage statements (W-2 forms) are also useful in documenting income, especially for earnings of non-tax filers and tax-deferred income. Descriptions of situations affecting your ability to pay, such as unusual medical and dental expenses, child care costs, and unreimbursed employee business expenses may also be requested.

■ Use of Professional Judgment

The financial aid officer (FAO) at the dental school you attend may make adjustments to your need analysis in a process called "professional judgment." If your FAO believes it is appropriate, for instance, he or she may adjust your cost of attendance or the information used to calculate your Expected Family Contribution to take into account circumstances that might affect the amount you're expected to contribute toward your education. These circumstances could include unusual medical or dental expenses. Also an adjustment may be made if you plan to apply for Title VII aid and a parent has been recently unemployed. If conditions such as these apply to you or your family, contact your FAO. There must be very good reasons for

TABLE 4-1. FORMS OF FINANCIAL AID

Loan

The primary source of financial aid for dental students. Must be repaid by the recipient.

Gift aid (scholarships/grants)

Merit-based or need-based aid. Does not have to be repaid by the recipient.

Research fellowships or traineeships

These offer stipends to students who conduct scientific research.

Commitment service scholarships

Commitment service scholarships provide support for educational and living expenses while a student is in school. In exchange, recipients are required to serve in the military or in health care shortage areas after graduation. Limited availability.

Loan repayment programs

After education is completed, a borrower who works in a health care shortage area providing care to underserved populations may be eligible for a federal or state loan repayment program. Examples include the Indian Health Service, National Health Service Corps, Faculty Loan Repayment program, National Institutes of Health, or state loan repayment program. The Armed Forces offers a loan repayment to eligible military personnel.

Education tax breaks

Student Loan Interest Deduction, Lifetime Learning Tax Credits, Tuition and Fees Deduction, and Education IRAs.

Work-study

Provides students an opportunity to work part time. (Because the dental school curriculum is demanding, dental students are often not able to take advantage of work-study support.)

the FAO to make any adjustments, and you will be required to provide adequate proof to support adjustments.

You can calculate your estimated financial need by visiting www.finaid.org/calculators and clicking on financial need estimation. The need analysis formula used by this estimation program is a slight simplification and has no official standing, so do not expect that the results represent the exact financial aid you will receive. It is possible that you will receive less aid than the figures reported by this form because of the aid granting institution's limited funds. However, this website is useful in giving you an estimate to work with, and it can also help you figure out how much attending dental school will cost and how much you need to save.

■ **Determining What You Need**

The purpose of federally authorized student financial aid is to assist a student in meeting costs associated with obtaining his or her education. It is not intended to support a spouse or dependents. Students need to understand that a financial aid award package anticipates that a student's spouse will contribute financially to support the household.

Obtaining a dental education represents a substantial financial commitment. It's important for you to plan a budget and stick to it for a number of years. While you should view all your student loans to pay for dental school as an investment in your future that will pay handsome returns, you will nevertheless want to be as prudent as possible to minimize what you have to pay back.

First, understand your current financial status by taking stock of all your financial commitments prior to entering dental school. The easiest way to do this is by making a log of all outstanding debt, including undergraduate student loan and consumer debt (such as car loans and credit cards). Write down the total dollar amount owed for each loan along with the amount of any interest that has accrued, the current interest rate, and the amount you must pay monthly. (See an example in Table 4-2.) Once this is done, you will be better able to determine your ability to handle additional debt.

Second, you should evaluate your financial resources. Write down anticipated annual income during school that you will receive from employment (if any) along with any other income to which you will have access (like spouse's income). Next, determine what other resources are available to help pay for school such as savings, parent contributions, gifts, scholarships and grants that you've been awarded, and tuition waivers.

Third, you should determine what your expenses will be during dental school. The financial aid office at your dental school will already have developed an estimate of what you will need. While you can use this estimate as a guide, you should go through the exercise yourself to ensure you come up with the same or a similar figure. Cost of attendance typically includes tuition, books, fees, room and board, transportation, miscellaneous personal

expenses, and child care (if applicable). Credit card debt cannot be included in the cost of attendance. After you have made an accurate estimate of your first year's expenses, you can probably estimate the cost for four years by adding five percent per year. Your FAO can assist you if you need help. Table 4-3 is an example of a budget work sheet that may help you determine your needs.

Finally, the Financial Aid Office, after careful review of your application materials, will notify you about your financial aid award package. This notice usually pro-

TABLE 4-2. EXAMPLE OF A STUDENT'S LOG OF OUTSTANDING DEBT ON ENTERING DENTAL SCHOOL

Loan/debt	Current Balance	Interest Rate	Monthly Payment	Repayment Period
Stafford Loans	\$16,000	6.8%	\$185	10 years
Perkins Loans	\$4,000	5%	\$42	10 years
Credit card**	\$8,000	18%	\$173	Monthly

While attending dental school full time, you are eligible to apply for an in-school deferment on federal student loans (Stafford and Perkins Loans).

**Credit card payments cannot be included in a dental student budget.

Source: Columbia University

vides details on financial aid programs for which you qualified and the dollar amount awarded or the recommended amount to borrow in federal loans (Perkins, Stafford, Graduate PLUS, etc.) and private/alternative loans. You should review the financial aid award package and follow instructions to secure the recommended funds to meet your budget. Once you've estimated your current financial obligations, what resources may be available, and what you will need, you will be better able to determine how much you will need to borrow. Most educational loan programs limit borrowing to cover the cost of attendance as determined by the institution's financial aid office.

Everyone is concerned about borrowing. You can look for places to reduce personal expenses while you are in dental school. Some strategies are to find a roommate to share housing; reduce entertainment and dining out expenses; use public transportation instead of a car; and avoid using credit cards if you cannot pay the bill in full at the end of each month.

■ Know the Players Involved in Your Student Loans

When you borrow for school, several parties are involved in the transaction with you. They typically are the lender, the federal government, the guaranty agency, the financial aid office, the holder of the loan or the secondary market, and the servicer. It is understandable to wonder how all these entities are involved with your student loan.

The U.S. Department of Education (ED) plays a major role in student lending through the Federal Family Education Loan Program (FFEL) and the Federal Direct Student Loan Program (FDSL). Both programs include federal subsidized and unsubsidized Stafford Loans and Graduate PLUS. FFEL loans are made by banks and other lenders. FDSL loans are made by ED through colleges and universities. The dental school will inform you if they participate in either the FDSL or FFEL loan programs. If they participate in the FFEL programs, they will normally provide students with a list of recommended lenders. Both programs are guaranteed by the federal government in case a borrower defaults on a loan.

A guaranty agency verifies that you are qualified for a particular federal loan program and insures loans for the lender. The guaranty agency is an organization that agrees to reimburse a lender for any portion of a student loan that is not repaid by a borrower. If a borrower defaults, the guaranty agency pays the lender the remaining amount owed and collects the balance directly from the borrower. Like lenders, many guaranty agencies offer debt counseling services and money management programs that can help you avoid default.

The lender is the provider of student loans. The lender mails a check or transfers funds to your school electronically. Check with the financial aid officer at the school you will attend for direction in choosing a lender, as most will have a list of recommended lenders.

The holder of a student loan is the owner of the promissory note (prom note) that you sign to receive a loan. The holder may be the original lender or another company that has purchased the loan. The purchasers are known collectively as the secondary market.

A servicer is a company contracted by a lender to handle all the administrative aspects of the loan. This means collecting loan payments, taking inquiries about loans, corresponding with borrowers, coordinating address changes, providing loan status updates, etc.

The Financial Aid Officer (FAO) at your school plays a major role in helping you obtain information on financing your dental education. The FAO will determine your eligibility for many different types of financial aid: grant aid, scholarships, and loans. The FAO also certifies your eligibility for student loans. An FAO provides information on your student loan portfolio including your lenders and billing servicers. The FAO's guidance on the repayment process can be helpful even after you graduate by providing information about postponing payments through deferment or forbearance arrangements. The FAO will work with you because he/she doesn't want your loan to go into default! If you encounter problems down the road and need guidance, your FAO is a great place to start.

TABLE 4-3. EXAMPLE OF A STUDENT'S BUDGET WORKSHEET

	Expense/ Month	Year 1 Total*
Mortgage or rent	\$550	\$6,600
Utilities: electric, gas, sewer, phone	\$75	\$900
Food: groceries, dining out	\$350	\$4,200
Personal (laundry, clothing, etc.)	\$75	\$900
Car payment, maintenance, gas, repair, parking, insurance	\$300	\$3,600
Home/apartment insurance	\$25	\$300
Life insurance	\$50	\$600

Examples of expenses that are not allowable in a student budget include: credit card payments; alimony; household goods and furnishings; interview expenses (suits, travel, etc.); student loan repayment; savings/emergency fund.

After you have made an accurate estimate of your first year's expenses, calculate the cost for four years of dental education by adding 5% to each subsequent year to account for inflation.

*Assumes a 12-month budget. Check with your school for the length of the academic year.

AN OVERVIEW OF STUDENT LOAN PROGRAMS

It's important to realize that, although student loans must be repaid by the borrower, they are considered financial aid. Financial aid cannot exceed a student's cost of education as determined by the school. Student loans differ from other types of consumer loans because most defer repayment of both the loan's principal and interest while you are enrolled. Also, most have grace periods so that you will have a period of time after graduation (or withdrawal) to prepare financially for repayment. Interest rates on student loans are usually lower than most other types of consumer credit and come with additional benefits such as deferment of repayment of the loan if you continue your education after graduation. Table 4-4 is a quick reference guide to some of the programs available to dental students.

The government pays the interest on the Subsidized Stafford loan while you're in school and during grace or other deferment periods. Since the Perkins, Health Professions Student Loan (HPSL), Loans for Disadvantaged Students (LDS), and most institutional loans do not assess interest while you are in school or during grace or deferment periods, they are sometimes also called "subsidized loans."

Unsubsidized loans, on the other hand, accrue interest during school, grace, and deferment periods. Although you can usually postpone payment during these periods, it is ultimately your responsibility to repay both the principal and accrued interest. You should keep in mind that all accrued unpaid interest will eventually be capitalized. You can contact your lender to find out when the first capitalization will occur and how frequently thereafter. Examples of unsubsidized loans are unsubsidized Stafford or Grad PLUS loans.

TABLE 4-4: QUICK REFERENCE GUIDE TO LOAN PROGRAMS

	Annual Limit	Aggregate Limit	Interest rate while enrolled in school	Interest rate while in repayment (July 1, 2006-June 30, 2007)	Grace Period (months)	Repayment Term
Federal Stafford Loan (Subsidized)+	\$8,500	\$65,500	6.8% (interest is paid by the federal government)	6.8%	6 months	10 years
Federal Stafford Loan (Unsubsidized)+	\$40,500 (minus Subsidized Stafford Loan Amount)	\$189,125 (includes subsidized Stafford borrowing)	6.8% (interest payments can be postponed until start of repayment)	6.8%	6 months	10 years
Federal Perkins Loan	\$6,000	\$40,000	No interest is assessed while in school	5% Fixed Rate	9 months	10 years
Health Professions Student Loan (HPSL)	Can't exceed student's annual COA - EFC	None	No interest is assessed while in school	5% Fixed Rate	12 months	10 years
Loans for Disadvantaged Students (LDS)	Can't exceed student's annual COA - EFC	None	No interest is assessed while in school	5% Fixed Rate	12 months	10 years
Institutional Loans	Varies by School	Varies by School	Usually interest free or low interest rate	Usually interest free or low interest rate	Varies by School	Varies by School
Private/Alternative Loan Programs	Up to cost of attendance minus other financial aid	Varies by Lender	Varies by Lender	Some lenders increase interest rates when loans go into repayment	Varies by Lender	Varies by Lender
Graduate PLUS	Can't exceed student's annual COA-OFA	None	8.5%	8.5%	None	10 years

NOTES:

See glossary for definitions of terms you do not understand.

+ Terms apply to FFEL Staffords and William Ford Direct Staffords.

* Repayment periods on Stafford Loans can extend up to 25 years.

U.S. citizens and permanent residents studying at dental schools in Canada are eligible to apply for Stafford Loans as well as other federal student aid programs. If you need additional monies you may have to rely on private/alternative loans. International students generally have fewer options available for financing.

■ Federal Stafford Loan Program

The interest rate for Stafford Loans (whether subsidized or unsubsidized) first disbursed on or after July 1, 2006, is fixed for the life of the loan at 6.8%. You may have a fee of up to 2.5 percent (assumes 1.5% origination fee and up to 1% guarantee fee) deducted proportionately from each disbursement of your loan. A portion of this fee goes to the federal government to help reduce the cost of the loans. Many lenders and guaranty agencies waive all or part of this fee.

Generally, repayment begins after a six-month grace period that starts at graduation. Repayment can be postponed during some postgraduate programs and in certain other situations. When you start repaying, the monthly amount due will depend on the principal you owe at that time and the length of your repayment period. You have the option of repaying your loan using a fixed, graduated, or income-sensitive repayment plan. The standard repayment term is ten years, but if your Stafford Loan is greater than \$30,000, you may have up to 30 years to repay based on educational debt.

Stafford Loans are either subsidized or unsubsidized. The subsidized Stafford Loan is awarded on the basis of financial need, which is determined by the information you provide on the FAFSA and other supporting financial aid application materials your school may require. If you qualify for a subsidized loan, the federal government pays interest on the loan (subsidizes the loan) while you are in school at least half time and during grace and deferment periods. Dental students may qualify to borrow up to \$8,500 in subsidized Stafford Loans annually. The aggregate amount of subsidized Stafford Loans a dental student can owe throughout his or her education (from undergraduate freshman through postgraduate training) is \$65,500.

Although the Financial Aid Office is required to first determine a student's eligibility for a Subsidized Stafford Loan, the Unsubsidized Stafford Loan is not awarded on the basis of financial need. If you qualify for an unsubsidized loan, you will be charged interest from the time the loan is disbursed until it is paid in full. You may choose to pay the interest while you are in school or allow it to accumulate ("accrue"). If you allow the interest to accrue, it will be added to the principal amount of your loan ("capitalized") and will increase the amount you have to repay. If you pay the interest before it capitalizes, you'll repay less in the long run. You're obligated to pay the interest on an unsubsidized loan—even the amount that accrues while you are in school and during times of grace and deferment. The annual outstanding maximum Unsubsidized Stafford Loan a dental student can borrow is \$40,500 minus the amount of a Subsidized Stafford Loan a student is eligible to borrow.

■ Federal Perkins Loan Program

The Federal Perkins Loan Program provides long-term, low-interest loans to students with exceptional financial need. The annual maximum loan amount is \$6,000 and the cumulative amount a borrower can owe is \$40,000. Loans are made through a school's financial aid office. The school is the lender. This loan has an interest rate of five percent. The borrower is not charged interest during in-school, grace, or deferment periods and has a fixed ten-year repayment term. There is a nine-month grace period. Repayment can be postponed during some post graduate programs and in certain other situations. Check with the financial aid office at the school you plan to attend to determine application and repayment procedures.

■ Health Professions Student Loan Program (HPSL)

HPSL offers loans made from revolving loan funds administered by participating schools. These loans are federally funded, and parental financial information is required

to determine eligibility. Borrowers may qualify for loans up to the cost of attendance. Because of funding limitations, HPSL awards will probably be much smaller than cost of attendance. HPSL has an interest rate of five percent. The borrower is not charged interest during in-school, grace, or deferment periods and has a fixed ten-year repayment term. There is a 12-month grace period, and repayment may be deferred for postgraduate training and up to three years for service in the military. Check with the financial aid office at the school you plan to attend to determine application and repayment procedures.

■ Loans for Disadvantaged Students Program (LDS)

LDS is open to students who demonstrate financial need and who meet the criteria of “disadvantaged student.” Terms of the loan are identical to HPSL. This loan program is not available at all institutions. Check with the financial aid office at the school where you are applying to determine application and repayment procedures.

■ Graduate PLUS

Graduate PLUS loans are federal loan funds that a student can borrow as an alternative to private education loans. This is an unsubsidized loan, so interest accrues while the student is enrolled in school and during any eligible deferment period. There is no annual or aggregate loan limit. The loan amount you’re eligible to borrow annually is based on your yearly cost of attendance as determined by the school minus other financial aid that you will be receiving. Students must have maximized their Stafford Loan annual borrowing limits before they can access “Grad PLUS.” In addition, Grad PLUS borrowers are required to undergo a credit check to ensure no adverse credit history. The credit criteria for Grad PLUS are less stringent than some private education loan programs. However, if a potential borrower is denied Grad PLUS funds, he or she can add a qualified “endorser.” This loan has no grace period and a maximum repayment term of 10 years. Borrowers with a cumulative Grad PLUS debt of \$30,000 or more can request extended repayment

[Merideth: Photograph is only 72 dpi. In order to print well, it should be 300 dpi.]

STUDENT PROFILE



SUMMER TOTONCHI

SOUTHERN ILLINOIS UNIVERSITY

Why dentistry?

I knew I wanted to be in a health profession, because I wanted to make people feel better and guide them to better health. Then I found that there are so many options within the field of dentistry. It’s both science — ortho is like physics for teeth! — and art. You can be a generalist, or you can specialize.

The first and second years of dental school are not easy. You really have to be determined to stick with it. It can be hard to adjust to the workload and to learn to manage your time. But I don’t focus on being first in the class,

I focus on doing my best and working up to my abilities. It’s rewarding to see how I have improved when I look back over a semester or a year. In clinic, the patients will notice your improvement too. And the teachers definitely notice — then they give you harder things to do!

What are you doing now?

I’m a third-year student at Southern Illinois University, and I love clinic. It can be intimidating to get into, and it takes time. I still haven’t done all the procedures yet. But once you get over the hump where you’re sitting there looking at the patient, thinking “Oh no, I’ve forgotten everything I learned in the past two years,” it’s exciting to apply your knowledge and work to solve the patient’s problems.

Where do you see yourself in five years?

Working in a private practice. I don’t know if my fiancé and I will work together or not — he would like to pursue a specialty. I know that I want to work at least part time in academia. I have always enjoyed tutoring and helping other students.

Advice to applicants and first-year students

Concentrate on the sciences. Take the prerequisites and any extra courses you might have to take in dental school, like microbiology. It does help to be exposed to the material more than once.

Observe at a dental office. It definitely pushed me more into the field. I shadowed several days a week over several weeks.

Get some research experience. That kind of independent problem solving really teaches you to work through a

problem and connect the dots. It’s just like dental school in that you get lots of bits and pieces the first two years, then in clinic you put them all together in a treatment plan.

Once you’re in dental school, it’s good to be involved in dental school activities. In fact, if I didn’t attend ADEA meetings, I wouldn’t have met my fiancé! But it’s also great to interact with people from other dental schools and see their accomplishments and obstacles. It gives you good ideas to bring back to your own school.

And it’s never too late to ask for help if you are not doing as well as you wanted to. Over time you will gain self-confidence and be able to say, “Yes, I can do this!” That will help you continue in what can be a stressful field.

What do you do for balance in your life?

That’s hard to do when your life partner is also in dental school! Right now I divide my free time between exercise and wedding planning.

What is the last book you read?

Angels and Demons by Dan Brown — I only read half *The DaVinci Code*, but this is a different style of writing.

Are you married/partnered/single? Any children?

My fiancé is in dental school in California, and we’re getting married in summer 2007. We have to figure out where we will live after I finish dental school. I was born in Baghdad, Iraq, but I moved to Chicago when I was 14 and have lived in Illinois ever since.

Ed Note: Ms. Totonchi is the student representative on the ADEA Annual Session Planning Committee.

schedules of up to 25 years. The interest rate on Grad PLUS loans is fixed at 8.5% for the life of the loan if taken from a FFELP lender, or 7.9% if borrowed under Direct Loans. Repayment can be deferred if you meet certain criteria such as continued enrollment as at least a half time student or economic hardship.

■ Institutional Loans

Some dental schools have institutional loan programs. Most often school loans have favorable terms and conditions. Check with the financial aid office at the school where you are applying to determine application and repayment procedures.

■ Private/Alternative Loans

Private/alternative loans are used to bridge the gap between the total cost of attendance and available resources. These loans should only be considered after you have exhausted all other possible funding sources. Private loans are available from banks and other lenders. When comparing these programs, we recommend that you compare the different loan terms including interest rates, fees, repayment options, capitalization policies, and deferment and forbearance options. A wide variety of loan features are available from one loan program to another. A standardized method, called Annual Percentage Rate (APR), exists to compare loan programs. APR is designed to calculate the yearly cost of loans, taking into account fees and other costs associated with securing a loan. APRs give you a way to assess the true cost of each loan program.

Private lenders usually require a credit check, and a cosigner may be an option. The interest rate on private loans is always variable, usually without a cap. Borrowers usually have up to 20 to 25 years to repay. Private loans are unsubsidized, so they should be repaid as quickly as possible. The loan servicer may allow principal payments to be made during the in-school and grace periods.

■ Master Promissory Note

A Master Promissory Note (MPN) opens a line of credit for an educational loan. Currently the most common use of a MPN is for Stafford Loans and Graduate PLUS. Schools may also use a MPN for Perkins, HPSL, and LDS loans. Using a MPN simplifies the loan application and promissory note process by reducing paper requirements and providing faster turnaround time when the multiyear feature is used. You will not be required to sign a new promissory note each time you request an additional loan where you have already completed a MPN as long as you remain with the same lender. If you change schools, you may be asked to sign a new MPN if the school has a different “preferred” lender; however, you may tell the new school that you wish to stay with your old lender.

OTHER AID

■ Federal Work-Study Program

This program provides jobs for students who are enrolled at least half time and have financial need. A participating educational institution arranges jobs on or off campus. Federal Work-Study earnings go toward meeting the financial need of a student. Because of the rigorous academic demands on dental students, many schools do not participate in this program, and those that do only make awards to students who request them. For more information, contact the financial aid offices at the dental schools to which you plan to apply.

■ “Outside” Scholarships (Those Not Awarded by a Dental School)

There are a variety of scholarship search databases available on the Internet. These websites allow an individual to enter demographic, academic, and personal data into a search engine that will identify scholarships for which that individual might meet eligibility criteria. Information on how to apply for the scholarships is then provided. A central site with links to several of these search locations is www.finaid.org/scholarships. It provides a free, comprehensive, independent, and objective guide to student financial aid. You should never pay for any scholarship search.

SOURCES OF AID FOR CANADIAN AND INTERNATIONAL STUDENTS

The availability of financial assistance for international students coming to the United States for academic study is limited. Federal student aid is restricted to U.S. citizens or permanent residents. Individual dental schools may have scholarships or grants for international students, but these are not common. Students should contact the school they are interested in applying to for specific information on any available institutional assistance.

International students can access private loan programs offered by banking institutions, but almost all programs require a credit-worthy U.S. citizen or permanent resident co-signer. There may also be restrictions on the type of visa (F1 or J1). In addition to the loans listed below, certain international students (e.g., permanent U.S. residents with a green card) may be eligible for Federal Stafford and PLUS loans. A resource currently available to international students exploring financing options is the Internet. An extensive compilation of financial aid for international students can be found at www.edupass.org/finaid/loans/phtml. International students may be eligible for private scholarships based on academic interest or merit. International students are also encouraged to contact the cultural section of their embassy or ministry of education to find out about funding available from their country's government.

The following are some private loan programs available to Canadian and other international students studying dentistry in the United States.

- Canadian Higher Education Loan Program (CanHELP), 888-296-4332; www.internationalstudentloan.com/canadian_student/
- GATE Student Loan Program (Guaranteed Access To Education), 800-895-4283; www.gateloan.com/
- Global Student Loan Corporation (GSLC), 212-736-9666; www.globalslc.com/
- International Student Loan Program (ISLP), 888-296-4332; www.internationalstudentloan.com/intl_student/
- Massachusetts Educational Financing Authority Loan program (MEFA), 800-449-6332; www.mefa.org/index.php
- TERI Education Loans, 800-255-TERI; www.teri.org/lp_health.html

FEDERALLY FUNDED SCHOLARSHIPS

■ Scholarships for Disadvantaged Students Program (SDS)

The SDS program provides funds to U.S. citizen and permanent residents who are full-time, financially needy students from disadvantaged backgrounds enrolled in health professions programs. Funds are awarded to eligible schools by HHS. The schools are responsible for selecting recipients, making reasonable determinations of need and disadvantaged student status, and making awards. The maximum award cannot exceed a student's financial need. Students interested in applying for this scholarship must provide parental income information, regardless of age or marital status, and should contact a student financial aid office at schools they are interested in for any special application procedures. Please note that not all schools qualify for SDS funding.

■ National Health Service Corps (NHSC) Scholarship Program

The NHSC mission is to help meet the health care needs of underserved communities. Only applicants who share the NHSC's commitment and who agree to provide oral health services for a minimum of two years in any underserved community identified by the NHSC will be competitive for a scholarship award. The NHSC scholarship pays tuition and fees, books, supplies, and equipment and includes a monthly stipend. For more information, visit <http://nhsc.bhpr.hrsa.gov/>.

■ Armed Forces Health Professions Scholarships

The U.S. Armed Services offer scholarships to dental students that pay tuition fees, books, instruments, and a stipend. To qualify, applicants must be U.S. citizens between the ages of 21 and 40 (although age limits can be waived in certain cases) and be a graduate of a dental school accredited by the American Dental Association. The service obligation is at least three years of active duty depending on the program under which the applicant receives his or her commission.

- The Armed Forces Health Professionals Scholarship Program provides full tuition for up to four years of dental training, including all school-required fees and expenses, books, and equipment (excludes food, housing, and computers). It also includes a monthly stipend.
- The Financial Assistance Program provides extra payment and a monthly stipend for dentists in residency. Residents also receive their current residency pay. After residency, dentists in this program agree to serve for a certain time. Once in the military, the pay is competitive and includes a signing bonus and fringe benefits.

For further information, contact a local recruiter for the military service in which you're interested.

■ National Institute of Dental and Craniofacial Research (NIDCR) Short-Term Training Awards

NIDCR offers numerous training programs for dental students who have an interest in dental research. For general information about training programs offered by the National Institutes of Health (NIH) and the NIDCR, contact Dr. Deborah Philp, 301-594-6578, dphilp@dir.nidcr.nih.gov, or visit www.nidcr.nih.gov/Funding/Training/.

Dual Degree Programs (D.D.S. or D.M.D./Ph.D.). This program provides support to institutions to train dental students who want to pursue careers in biomedical research and academic dentistry. Students participate in an integrated program of graduate training in the biomedical sciences and clinical training offered through participating dental schools. Graduates receive a combined D.D.S. or D.M.D./Ph.D. degree. Funding is awarded directly to participating institutions, which then select the trainees. Trainees must be U.S. citizens, noncitizen nationals, or permanent residents. For more information, visit www.nidcr.nih.gov/Funding/Training/t32Contacts_Dual_Degree.htm.

NIDCR Summer Dental Student Award. To expose future dentists to research careers, NIDCR offers an outstanding research training opportunity for dental students. The Summer Dental Student Award is designed to promote the professional careers of talented dental students through exposure to the latest advances in oral health research. Selected candidates will be assigned to mentors who conduct research in the students' areas of interest. Students will gain hands-on experience in basic or clinical research. Participation in the program may result in presentation of research findings at a scientific meeting or co-authorship of scientific publications. The NIDCR provides a competitive stipend for a minimum of eight weeks during the summer. Student nomination and application begins in mid November each year. The application deadline is mid January each year. For more information on how to apply, interested candidates may visit: <http://www.nidcr.nih.gov/Funding/Training/SummerDentalStudentAward.htm> or contact Dr. Deborah Philp, Program Director, dphilp@dir.nidcr.nih.gov, 301-594-6578.

NIH Clinical Research Training Program. This program is designed to attract research-oriented dental and medical students to the campus of the National Institutes of Health in Bethesda, Maryland. Fellows spend a year engaged in a mentored clinical research project in an area that matches their personal interests and goals. An annual stipend is provided, and moving expenses are reimbursed. Candidates must have completed a year of clinical rotations prior to starting the program. U.S. citizenship or permanent residence is required. For more information, visit www.training.nih.gov/crtp/.

Interest rates on student loans are usually lower than most other types of consumer credit and come with additional benefits such as deferment of payment while the student is enrolled and for a grace period after graduation.

Howard Hughes Medical Institutes Research Scholars Program. Participants of the NIH Howard Hughes Medical Institutes joint program work in NIH laboratories as part of a research team and are given the opportunity to attend conferences and meetings. Most students participate in the year-long program after their second or third year of dental or medical school. Candidates must be in good standing at a U.S. dental or medical school and must receive permission from their school to participate. An annual salary is provided. Joint Ph.D. candidates are not eligible. For more information, visit www.hhmi.org/science/cloister/.

Individual Predoctoral Dental Scientist Fellowship (F30). This fellowship provides a maximum of five years' support to students pursuing both D.D.S. or D.M.D. and Ph.D. degrees. An annual stipend and partial tuition are provided. Additional funds are available for other training-related expenses. Applicants must be enrolled in a D.D.S. or D.M.D. program at an accredited U.S. dental school and accepted in a related scientific Ph.D. (or equivalent degree) program. Students attending any accredited U.S. dental school may apply. Applicants must be U.S. citizens, noncitizen nationals, or permanent residents at the time of award. For more information, visit www.grants.nih.gov/grants/guide/pa-files/PA-02-004.html.

Individual Predoctoral Fellowship for Minority Students and Students with Disabilities (F31). This program provides a maximum of five years' support to students pursuing a Ph.D. degree. An annual stipend and partial tuition are provided. Additional funds are available for other training-related expenses. Applicants must be enrolled in a graduate school at an accredited U.S. university and be from an underrepresented minority group or have a disability. Applicants must also be U.S. citizens, noncitizen nationals, or permanent residents at the time of award. For more information, contact Lorraine W. Jackson, 301-594-2616, jacksonl@mail.nih.gov or visit www.grants1.nih.gov/grants/guide/pa-files/PA-00-069.html.

Institutional NRSA Research Training Grant (T32). This grant provides support to institutions for several types of research training: 1) up to five years of support to individuals pursuing only a Ph.D.; 2) up to five years of support (with possibility of extension) to individuals pursuing a combined D.D.S. or D.M.D./Ph.D. degree; 3) up to one year of support for dental students wishing to interrupt their studies to engage in full-time research; and 4) up to three months per year to dental students or faculty wishing to gain research experience. Funding is awarded directly to participating institutions, which then select the trainees. Trainees must be U.S. citizens, noncitizen nationals, or permanent residents. For more information, visit www.grants.nih.gov/grants/guide/pa-files/PAR-00-116.html.

Graduate Partnerships Program. Prospective Ph.D. students wishing to pursue a doctoral degree in the biomedical sciences can apply to university programs that have a formal partnership with NIH. A stipend is provided. U.S. citizenship or permanent residence is required. For more information, visit www.gpp.nih.gov/.

PRIVATELY FUNDED SCHOLARSHIPS AND OTHER HELPFUL RESOURCES

There are a variety of scholarship search databases available on the Internet. To use them you must enter demographic, academic, and personal data into a search engine. A central site with links to several of these search locations is www.finaid.org/scholarships. It provides a free, comprehensive, independent, and objective guide to student financial aid. You should never pay for any scholarship search. Two other free scholarship search engines are www.FastWeb.com and www.wiredscholar.com.

■ Repaying Student Loans

Repayment of student loans is your responsibility, even if the lender is unable to locate you. Prevent loan default, a bad credit history, and other negative actions by being proactive about loan repayment. Depending on the loan program repayment begins either after graduation from dental school, when you leave school, or when you drop below full-time or half-time enrollment. This section will review the borrower's and lender's responsibilities in this process.

■ The Borrower's Responsibilities

There are some steps you can take to help reduce the amount and kinds of debt you take on. Often it isn't until students begin repaying student loans or seek additional funds to set up a dental practice that they review their records and discover how much they have borrowed (or charged on credit cards). It doesn't have to be that way. You can begin taking steps early on in your borrowing to monitor your spending habits and student loan portfolio. Students who keep track of their borrowing from the start are in a better position to manage repayment successfully.

Borrowing means that you have the benefit of someone else's money now, in exchange for paying it back with interest at a later date. Repaying your loans is a legal and professional obligation. Individuals who default on their loans face financial and legal consequences that can have negative effects both personally and professionally. Before applying for a loan, you should be aware of your responsibilities as a borrower. You are the key to making your borrowing experience a positive one. If you keep good records, open your mail, make sure your lenders and their billing servicers have your current address, and contact your lenders immediately if you have trouble paying, you should have success.

After you sign a promissory note and once funds have been disbursed, you are legally obligated to repay the loan according to the terms of the note. The promissory note is a binding legal document and states that you must repay the loan—even if you do not complete your dental education, are not able to get a job after you complete the program, fail to succeed in practice, are dissatisfied with or feel you did not receive the education you paid for, dislike the dental school you attend, or receive notification that the loan has been sold to another party by your lender. If you do not repay your loan on time or according to the terms in the note, you may go into default. You must make payments on your loan(s) even if you do not receive a bill or repayment notice. If you apply for a deferment or forbearance, you must continue to make payments until you are notified that the request has been granted.

It is your responsibility as a borrower to keep lenders informed about your enrollment status and your current address. You must notify the school, agency, lender, or billing servicer that manages your loan when you graduate, withdraw from school, or drop below half-time status; change your name, address, or Social Security number; or transfer to another school. If you borrow Perkins Loan, HPSL, LDS or institutional loans, these loans will be managed by the school that loaned the money or by an agency that the school assigns to service (billing servicer) the loan.

Repaying your student loans affects your credit rating. Bad credit can adversely affect your ability to borrow money to set up a dental practice in the future and to buy an existing practice, a home, or a car. If you cannot meet your monthly repayment obligations, you have options to defer or postpone payment for postgraduate training. Also, you may request forbearance on your loan, as discussed below.

If your lender does not have your current contact information, you run the risk of becoming delinquent and defaulting on your loan. The consequences of default are serious. If you default on a student loan, there are programs that will allow you to regain your financial aid eligibility or get out of default. You will want to contact the guaranty agency that holds your defaulted loan to inquire about reinstatement and rehabilitation programs. Remember, it takes time and commitment to fix the problem.

Believe it or not, your repayment of student loans also affects other borrowers attending dental school. If you do not repay your student loans and go into default, your dental school's ability to participate in various student loan programs can be limited. Furthermore, it can adversely affect future dental students' ability to borrow for their education.

Regardless of the type of loan, you must receive entrance counseling before you are given the first loan disbursement, and you must receive exit counseling before you leave school. These counseling sessions will either be administered by your school's financial

aid office, or you may be asked to complete an online program that will provide you with important information about your loan(s).

The good news is that the vast majority of dental students successfully repay their loan obligations. Table 4-5 is an example of the type of student loan log that you can develop for yourself to help in managing your portfolio. You may also want to add columns for terms and conditions of your student loans such as the number of years you have to repay the loan, deferment and forbearance provisions, how often interest is capitalized, and the length of the grace period.

■ The Lender’s Responsibilities

Lenders owe you more than the money they have agreed to lend to you when you sign on the dotted line. They must provide you with a copy of the promissory note. As discussed above, this document explains the conditions of your loan in detail and is the legal document requiring you to repay the loan with interest. KEEP THIS DOCUMENT. The lender should also provide a disclosure statement before or at the time your loan is disbursed. This document states the amount of your loan (principal), fees that may be deducted from the principal amount, fees that may be added at the time of repayment, the interest rate, and an estimate of the total amount you will have to repay, if you follow the standard repayment terms.

It is not uncommon for lenders to sell your loan to another entity after you have taken out the loan. If that happens, your lender will send you a notification of loan transfer with addresses, phone numbers, and other information you need in order to make payments and communicate with the new holder of your loan or their billing servicer. KEEP THIS NOTICE.

Prior to beginning repayment of your student loan, the lender or servicer will send you a detailed repayment schedule. This document will state the principal balance you owe along with the total amount of estimated interest over the period of repayment. In addition, it will tell you the amount and number of your monthly payments and the date your first payment is due. KEEP THIS DOCUMENT.

Because taking out loans means you will have many important papers and documents that you will need after you graduate, it may be helpful to use a loose leaf binder or accordion file to house all of your student loan documents. It is important to keep copies of all documents you receive pertaining to your student loans, including correspondence you send to your lender or servicer regarding your loans. You should also keep a log of

student loans you borrow, how much you borrow each year, the interest rate on each loan, and the lender’s and servicer’s name, telephone number, and address. If you do this, you undoubtedly will save yourself countless hours of painstaking work to reconstruct your borrowing portfolio.

If you need help finding information about your Title IV borrowing (Stafford, Perkins, and Consolidation loans) the National Student Loan Data System stores information on student aid recipients and their current status. The database is maintained by the U.S. Department of Education and can be accessed at www.nslds.ed.gov. Title VII aid, administered by the U.S. Department of Health and Human Services, and private educational loans are not included in the database.

TABLE 4-5. EXAMPLE OF FIRST-YEAR DENTAL STUDENT’S LOAN LOG

Loan	Amount	Interest Rate	Date Repayment Begins	Lender/Website/Servicer/Website
Stafford Subsidized (undergraduate)	\$16,000	6.8%	Dec. 2011	Lender X
Perkins (undergraduate)	\$4,000	5%	Feb. 2012	My College
Stafford Subsidized (dental school)	\$8,500	4.7%	Dec. 2011	Lender Y
Stafford Unsubsidized (dental school)	\$18,000	4.7%	Dec. 2011	Lender Y
Perkins (dental school)	\$6,000	5%	Feb. 2012	My Dental School
Health Professions Student Loan (dental school)	\$6,500	5%	June 2012	My Dental School
Graduate PLUS	\$10,000	8.5%	June 2012	Lender Y

Another resource to locate educational loans, although not necessarily complete, can be found at www.loanlocator.org.

THE IMPORTANCE OF BUILDING AND KEEPING GOOD CREDIT

If you are like most students during dental school, you will take out student loans and charge purchases on credit cards. When you apply for a student loan or for other credit, your credit file will be examined, and you will be assigned a credit score based on information provided by credit reporting agencies. There are three kinds of loan approval tests widely used: credit-blind (no checking at all); credit-ready (no credit bureau file exists with any payment history); and credit-worthy (a file exists with one or more good reports and minimal bad reports). The borrower or cosigner, if needed, may have to also meet a debt-to-income ratio and other lender requirements.

A credit score is a number that indicates how likely you are to repay a loan or debt from a credit card purchase. While it is only one piece of information lenders use when evaluating your loan application, it may be the basis for approval or rejection.

Credit bureaus and credit reporting agencies provide credit information to banks and businesses to help them decide whether to issue a loan or extend credit. This information may include your payment habits, number of current and past credit accounts, balance of those accounts, place of employment, length of employment, records of financial transactions, your payment history, and a history of past credit problems. People who make all their payments on time are considered good credit risks. People who are frequently delinquent in making their payments are considered bad credit risks. Defaulting on a loan can negatively affect your credit rating.

With the exception of the Graduate PLUS loan, your credit rating is not checked for eligibility for federal student loan programs; but, eligibility for private loans and some institutional loans may depend on your credit history. Students who have defaulted on previous federal educational loans may be required to agree to repay the loan and begin making payments before they can become eligible for further federal aid.

The Fair Credit Reporting Act and the Equal Credit Opportunity Act help ensure that lenders rely on “likelihood of repayment” as their chief criterion when granting credit. Scoring models do not consider race, gender, nationality, religion, whether you are married, single, or divorced, or other prohibited factors. For more information about credit scores visit, www.myFICO.com.

■ Checking Your Credit Record

All U.S. consumers are eligible to obtain a free copy of their credit report through the only authorized site, AnnualCreditReport.com. You are encouraged to obtain a copy of your credit report annually to make sure there are no errors. It is important that the information on your report be accurate, as errors could possibly affect both your credit rating and your credit score. Annual review of your credit record is also a good way to monitor identity theft.

The Consumer Credit Counseling Service (800-747-4222; debtfreeforme.com) offers free or low-cost debt and credit counseling.

■ Cautions About Credit Cards

If you are like most students, you’ve received numerous credit card offers promising low interest rates and credit lines of several thousand dollars. If you have accepted these offers and presently carry a balance on one or more such credit cards, you should carefully examine your card use. Although having a credit card is beneficial, problems can arise when you don’t pay the bills on time and begin carrying a balance that can balloon into a mountain of debt.

While in school, pay with cash if possible. It may be helpful to ask yourself, “If I can’t afford to purchase it with cash now, what is the likelihood that I will be able to pay the credit card bill when it arrives?”

The majority of credit bureau information is accurate, but you have the right to examine your file and to explain or correct the information it contains.

Here are some helpful hints on using credit cards:

- Before you buy an item, evaluate whether you really need it; if not, don't buy it.
- If you make a purchase with a credit card, pay the balance at the end of the month. Don't carry balances. Some cards charge 20 percent or more in interest (usually called finance charges on your statement).
- If you accumulate credit card debt, you may want to transfer debt from high-interest cards to lower-rate cards.
- Read your statements carefully and call the company right away if you have questions about a charge.
- Avoid taking cash advances. The finance charge on a cash advance often starts applying the moment you receive it, not after the next statement closing.
- Be aware of annual fees. Many companies charge \$25 and more for the privilege of using their card.
- Be aware of introductory offers. Usually low interest rates are offered in the beginning, only to increase dramatically after the introductory period expires.

OTHER HELPFUL RESOURCES

For further information about financial aid, you may want to consult the following helpful resources.

- *Opportunities for Minority Students in U.S. Dental Schools*, published by ADEA, includes practical information of special interest to minority students considering a career in dentistry. This publication explains the scope of career opportunities available to minorities in dentistry, dental school admissions requirements, financing a dental education, deciding where to apply, and school-specific information directed to minority applicants. Available from ADEA Publications Department, 1400 K Street, NW, Suite 1100, Washington, DC 20005.
- *The Big Book of Minority Opportunities* cites programs including scholarship and other financial aid programs of special interest to Black, Asian, Hispanic, and Native American students. Available from Garrett Park Press, P.O. Box 190, Garrett Park, MD 20896.
- The Student Aid Alliance website provides up-to-date information on federal aid programs and opportunities for students to let their voices be heard on Capitol Hill regarding funding for student aid. Visit www.studentaidalliance.org.
- *The Chronicle Financial Aid Guide* provides information on financial aid programs available to high school, undergraduate, graduate, and adult learners. Available from Chronicle Guidance Publication, www.chronicleguidance.com.
- *The Scholarship Book* lists private sector scholarships, grants, loans, fellowships, internships, and contest prizes covering every major field of study. Visit www.800headstart.com.
- *Foundation Grants to Individuals* finds sources of scholarships, fellowships, grants, awards and other financial support online. Visit <http://gtonline.fdncenter.org>.

Acknowledgments for Chapter 4

We acknowledge the expertise and contributions of Deborah Philp, National Institute of Dental and Craniofacial Research; Christopher Halliday, Indian Health Service; Paul Koch, Indiana University; Sandra Pearson, Tufts University; Ellen Spilker, Columbia University; the U.S. Department of Education; U.S. Air Force; U.S. Army; and U.S. Navy.

A GLOSSARY OF TERMS

EVERY STUDENT BORROWER SHOULD KNOW

Accrued Interest: Interest assessed on the unpaid balance of the loan principal and payable by the borrower. In the case of subsidized Stafford Loans, paid by the federal government during in-school, grace, and deferment periods.

Aggregate Debt: The total amount a student owes under a particular loan program. This term can also refer to the total amount a student owes under all loan programs.

Aggregate Loan Limits: Refer to the borrower's total borrowed principal still owed. It can refer to the total from only one educational loan type, as in the case of Stafford Loans, William Ford Direct Loans, and Federal Perkins Loans. Alternative loan programs normally consider ALL of a student's education loan when they have an aggregate limit.

Aid Package: Combination of financial aid (scholarships, grants, loans, and/or work study) determined by a school's financial aid office.

Alternative/Private Loans: Educational loan programs established by private lenders. Interest accrues from disbursement, but repayment is usually deferred until some time after graduation. Interest rates are variable, usually without a cap.

Amortization: The process of retiring debt over an extended period of time through periodic installments of principal and interest.

Annual Percentage Rate (APR): A calculation that reflects the total cost of a loan (interest plus all fees) on an annual basis.

Appeal: A formal request to have a financial aid officer review your aid eligibility and possibly use professional judgment to adjust the figures. An example of when an appeal is appropriate is if you believe the information on your financial aid application does not reflect your family's current ability to pay (for example due to the death of a parent, unemployment, or other unusual circumstances). The financial aid officer may require documentation of the special circumstances or other information on your financial aid application.

Asset: An item of value, such as a family's home, business and farm equity, real estate, stocks, bonds, mutual funds, cash, certificates of deposit (CDs), bank accounts, trust funds, and other property and investments.

Award Letter: An official document that lists all of the aid you have been awarded.

Award Year: The academic period for which financial aid is requested and awarded.

Borrower: A student who obtains money from a lending institution by the extension of credit for a period of time. The borrower signs a promissory note as evidence of the debt.

Borrower Benefits/Rewards/Repayment Incentives: Lenders sometimes reduce the cost of loans to borrowers with good repayment behavior. Contact lenders for details.

Budget: Total cost of attending a postsecondary institution for an award year. It usually includes tuition, fees, room, board, books, supplies, equipment, travel, and personal expenses. Each institution develops its own student budget, also known as the "Cost of Attendance".

Campus-Based Aid: Financial aid programs awarded directly by the dental school. This may include both federal programs such as the Perkins Loan, HPSL, LDS, SDS, and Federal Work-Study, and institutional grants and loans. Note that there is no guarantee that every eligible student will receive financial aid through these programs, because the awards are made from a limited pool of money.

Capitalization: The process of adding accrued, unpaid interest to the principal of a loan. Capitalizing the interest increases the monthly payment and the amount of money you will eventually have to repay. Capitalization is sometimes called compounding.

Collateral: Collateral is property used to secure a loan. If the borrower defaults on the loan, the lender can seize the collateral. For example, a mortgage is usually secured by the house purchased with the loan. Education loans are not collateralized unless you are required to have a cosigner.

Compound Interest: The frequency with which accrued unpaid interest is added to the principal balance.

Cosigner: A cosigner on a loan assumes responsibility for the loan if the borrower should fail to repay it. A cosigner may also be referred to as a co-borrower or co-maker.

Cost of Attendance (COA): Total cost of attending a postsecondary institution for an award year. It usually includes tuition, fees, room, board, books, supplies, equipment, travel, and personal expenses. Each institution develops its own student budget, also known as the budget.

Credit Bureau: An agency that compiles, maintains, and distributes credit and personal information to potential creditors/lenders. Lenders check to learn whether a potential borrower is likely to repay based upon the way other credit obligations have been handled in the past.

Credit Rating/Credit Score: An evaluation of the likelihood that a borrower will repay on time.

Default: The failure of a borrower either to make installment payments when due or to comply with other terms of the promissory note. A loan is in default when the borrower fails to pay a number of regular installments on time or otherwise fails to meet the terms and conditions of the loan. Default also may result from failure to submit requests for deferment or cancellation on time. If you default, your school, the lender or agency that holds your loan, the state, and the federal government may all take action to recover the money, including garnishing your wages, withholding income tax refunds, and notifying national credit bureaus of your default. Defaulting on a government loan will make you ineligible for future federal financial aid unless a satisfactory repayment schedule is arranged. It will also affect your credit rating for a long time, making it difficult to borrow funds to buy a car or a house.

Deferment: A period during which the repayment of the principal amount of the loan is suspended as a result of the borrower meeting one of the requirements established by law or regulation and/or contained in the promissory note. During this period, the borrower may or may not have to pay interest on the loan. If you have a subsidized type of loan, either the federal government pays the interest charges during the deferment period or the lender does not charge any to the borrower. If you have an unsubsidized loan, you are responsible for the interest that accrues during the deferment period. You can usually postpone in-school payments by paying the interest charges or by capitalizing the interest, which increases the size of the loan. You can't get a deferment if your loan is in default. If you borrowed during undergraduate school and then worked for a year and entered repayment before beginning dental school, you are eligible to defer payment of student loans as long as you remain a full-time student. Most federal loan programs allow students to defer their loans while they are in school at least half

time. There are other activities for which you can obtain deferments. These vary from loan to loan and are itemized on your promissory note. If you don't qualify for a deferment, you may be able to get forbearance.

Delinquent Borrower: If a borrower fails to make a payment on time, the borrower is considered delinquent, and late fees may be charged. Usually delinquencies greater than 30 days are reported to credit bureaus. Once the delinquency exceeds a specific number of days (varies depending on the loan program) the loan goes into default.

Disadvantaged Background (definition from the U.S. Department of Health and Human Services [HHS]): An individual from a disadvantaged background is defined as one who comes from an environment that has inhibited the individual from obtaining the knowledge, skill, and abilities required to enroll in and graduate from a health professions school or a program providing education or training in an allied health profession or who comes from a family with an annual income below a level based on low income thresholds according to family size published by the U.S. Bureau of Census, adjusted annually for changes in the Consumer Price Index, and adjusted by the Secretary of HHS for use in health professions and nursing programs. The school you plan to attend is generally responsible for making a determination of your disadvantaged status.

Disbursement Date: The date on which the lender issues a student the loan proceeds, either by check or by electronic funds transfer to the student's school account.

Disclosure Statement: Lenders are required to provide the borrower with a disclosure statement at the time the loan is made. A statement provides information about the actual loan costs, including the interest rate, origination fees, insurance fees, loan fee, and any other kind of finance charges.

Electronic Funds Transfer (EFT): Electronic funds transfer is used by most schools for Stafford Loans. The money is transferred electronically instead of using paper checks, and hence is available to a student sooner.

Eligible Non-Citizen: Someone who is not a U.S. citizen but is nevertheless eligible for federal student aid. Eligible non-citizens include U.S. permanent residents who are holders of valid green cards, U.S. nationals, holders of form I-94 who have been granted refugee or asylum status, and certain other non-citizens. Non-citizens who hold a student visa or an exchange visitor visa are not eligible for federal student aid.

Endowment: Funds owned by an institution and invested to produce income to support its operations. Many educational institutions use a portion of their endowment income for financial aid. A school with a larger ratio of endowment per student is more likely to give larger financial aid packages.

Enrollment Status: An indication of whether you are a full-time or part-time student. Generally, you must be enrolled at least half time (and in some cases full time) to qualify for financial aid.

Expected Family Contribution (EFC): The amount of money the family is expected to contribute to a student's education, as determined by the Federal Methodology formula approved by Congress. Some schools determine eligibility for non-federal school funds with Institutional Methodology. The EFC is a student/spouse contribution and depends on family size, number of family members in school, taxable and non-taxable income, and assets. Parent information is required for funds authorized by the U.S. Department of Health and Human Services and may also be required by some schools for institutional funds.

FAFSA: See Free Application for Federal Student Aid.

Fees: Origination fees, also referred to as insurance fees, loan fees, points, or guaranty fees, are usually expressed as a percentage of the amount borrowed, and are usually deducted from the loan proceeds at disbursement. Some alternative/private loans add the fees to the principal borrowed. Some loans also include an additional fee (sometimes referred to as a "kicker"), which is charged at the time the loan enters repayment to help offset additional administrative costs relative to billing. Usually these 'back-end' fees are added to the total amount owed.

Financial Aid Officer (FAO): A college or university employee who is involved in the administration of financial aid. Some schools call these individuals financial aid advisors or financial aid counselors.

Financial Aid Package: A collection of grants, scholarships, loans, and work-study employment from all sources (federal, state, institutional, and private) offered to enable a student to attend the college or university.

Financial Need: A student's financial need is the gap between the cost of attending school and a student's resources. A financial aid package is based on the amount of a student's financial need. The process of determining the need is known as need analysis. Cost of Attendance

(COA) - Expected Family Contribution (EFC) = Financial Need.

Fixed Interest Rate: In a fixed interest loan, the interest rate stays the same for the life of the loan. For example, a 5 percent fixed interest rate loan means that the interest rate will be 5 percent from the day the borrower takes out the loan until the day the borrower finishes repaying the loan.

Forbearance: During forbearance the lender allows the borrower to postpone temporarily or reduce the payment on a student loan. Because less is paid during forbearance, it takes longer to repay the loan. Since interest charges continue to accrue, even on subsidized loans, it may increase the total cost of the loan. It may also mean capitalization of accrued and unpaid interest during this time, thus increasing both the balance owed and the monthly repayments required after the forbearance period has ended. Forbearances are granted at the lender's discretion, usually in cases of extreme financial hardship or other unusual circumstances when the borrower does not qualify for a deferment. You can't receive forbearance if your loan is in default.

Free Application for Federal Student Aid (FAFSA): This U.S. Department of Education form is used to apply for all federally sponsored student financial aid and federal need-based aid. The form is available at www.fafsa.ed.gov, and it can be submitted electronically or by mail. When filing a paper FAFSA, be sure to use an original not a photocopy, because photocopying alters the alignment of the forms, interfering with the imaging technology used to process them. As the name suggests, no fee is charged to file a FAFSA. When sending an electronic FAFSA be certain to print a copy for your records.

Gift Aid: Financial aid, such as grants and scholarships, that does not need to be repaid.

Grace Period: A brief period after graduation during which the borrower is not required to begin repaying his or her student loans. The grace period may also kick in if the borrower leaves school for a reason other than graduation or drops below half-time or full-time (depends on the program) enrollment. The length of the grace period depends on the loan program. Not all loans have grace periods; some require repayments to begin directly upon graduation or separation.

Interest Rate Caps: Refers to the maximum interest a borrower may be charged over the life of the loan. For instance, current federal statute specifies that Stafford Loan interest rates cannot exceed 8.25% even though the rate is reset each

July 1 based on a formula. A fixed interest rate loan will always have the same rate throughout the life of the loan. Alternative/private loan programs usually do not have an interest rate cap and their interest rates fluctuate periodically, often on a quarterly basis if based on an index such as the 91-day Treasury Bill, or the Loudon InterBank Offering Rate (LIBOR), or the prime rate.

Loan Terms: The specific conditions of a loan, including requirements governing receipt and repayment. It is often used more specifically to refer to the charges for the loan, such as interest, fees, etc.

Minority: According to the U.S. Government, an individual whose race/ethnicity is classified as American Indian or Alaskan Native, Asian or Pacific Islander, Black, or Hispanic. See also *Underrepresented Minority*.

Outside Resource: Funds available to a student because they are in school; examples include outside scholarships, prepaid tuition plans, and Veterans Affairs (VA) educational benefits. This category does not include school-based aid.

Outside Scholarship: A scholarship that comes from a source other than the school.

Out-of-State Student: A student who has not met the legal residency requirements for the state in which the dental school that she/he will attend is located. Out-of-state students are often charged a higher tuition rate at public dental schools.

Overaward: A student who receives federal support may not receive awards totaling more than \$400 in excess of his or her financial need.

Prepayment: Paying off all or part of a loan before it is due. Prepayment without penalty is allowed for all federally sponsored loans and other educational loans at any time during the life of the loan.

Principal and Interest: The principal is the total amount of money borrowed or remaining unpaid on a loan. Interest is charged as a percentage of the principal. When a borrower takes out a loan of \$10,000, for example, the \$10,000 is the principal.

Professional Judgment (PJ): For need-based federal aid programs, the financial aid officer can adjust the Expected Family Contribution (EFC) or Cost of Attendance (COA) when extenuating circumstances exist. For example, if a parent becomes unemployed, disabled, or deceased, the financial aid officer can decide to use estimated income information for the award year instead of the actual income figures from the base year. This delegation of authority from the

federal government to the financial aid officer is called professional judgment.

Promissory Note: A binding legal document that must be signed by a student borrower (and a cosigner, if applicable), agreeing to repay the loan according to specified terms. It must be signed before loan funds will be disbursed by the lender. The promissory note states the terms and conditions of the loan, including when repayment will begin, interest rate, deferment and forbearance options, and cancellation provisions. A student should keep this document until the loan has been repaid.

Renewable Scholarships: A scholarship awarded for more than one year. Usually a student must maintain certain academic standards to be eligible for subsequent years. Some renewable scholarships require a student to reapply each year; others will just require a report on a student's progress toward a degree.

Repayment Schedule: This schedule shows the monthly payment, interest rate, total repayment obligation, payment due dates, and term of the loan.

Repayment Term: The period during which the borrower is required to make payments on his or her loans. While payments are made monthly, the term is usually given as the total number of payments or years.

Sallie Mae: Sallie Mae, also known as the Student Loan Marketing Association (SLMA), is the nation's largest secondary loan market for educational loans.

Satisfactory Academic Progress (SAP): A student must be making SAP to continue receiving federal aid. If a student fails to maintain academic standing consistent with the school's SAP policy, he or she is unlikely to meet the school's graduation requirements and may be ineligible to receive federal financial aid.

Secondary Market: An organization that buys loans from lenders, thereby providing the lender with the capital to issue new loans. Selling loans is a common practice among lenders, so the bank to which you make your payments may change during the life of the loan. The terms and conditions of your loan do not change when it is sold to another holder.

Servicer: An organization that acts as an agent for the lender, collecting payments on a loan and performing other administrative tasks associated with maintaining a loan portfolio. Loan servicers disburse funds, monitor loans while the borrowers are in school, collect payments, process deferments and forbearances, respond to borrower inquiries, and ensure

that the loans are administered in compliance with federal regulations and guaranty agency requirements.

Simple Interest: Interest paid only on the principal balance of the loan and not on any accrued interest. Most federal student loan programs offer simple interest, but capitalizing the interest on an unsubsidized Stafford Loan is a form of compounded interest.

Statement of Educational Purpose: In this legal document, a student agrees to use the financial aid for educational expenses only. This form is part of the certification a student attests to on the FAFSA.

Student Aid Report (SAR): This report summarizes the information included in the FAFSA and must be provided to your school's Financial Aid Officer (FAO). The SAR will also indicate the Expected Family Contribution (EFC). You should receive a copy of your SAR four to six weeks after you file your FAFSA. Review your SAR and correct any errors on part two of the SAR. Keep a photocopy of the SAR for your records. To request a duplicate copy, call 800-4-FED-AID.

Subsidized Loan: With a subsidized loan, such as the Subsidized Stafford Loan, the government pays the interest on the loan while a student is in school, during the grace period, and during any deferment periods. Subsidized loans are awarded based on financial need and may not be used to finance the family contribution. With other subsidized loans types, such as the Perkins and HPSL, interest is not charged while a student is in school, in grace, or in deferment.

Term: The number of years (or months) over which the loan is to be repaid.

Title IV Loans: Education loan programs that are collectively referred to as the William D. Ford Federal Direct Loan Program (FDSL), the Federal Family Education Loan Program (FFELP), the Federal Stafford Loans (subsidized and unsubsidized), and Federal Consolidation Loans.

Title IV School Code: When you fill out the Free Application for Federal Student Aid (FAFSA), you need to supply the Title IV Code for each school to which you are applying.

Title VII Aid: Education loan programs that are collectively referred to as the Loans for Disadvantaged Students (LDS), Health Professions Student Loans (HPSL), Scholarships for Disadvantaged Students (SDS), Primary Care Loans (PCL). Dental students are not eligible for PCL. Title VII aid is administered by the U.S. Department of Health and Human Services.

Underrepresented Minority: According to the U.S. Government, means with respect to a health profession.

Unmet Need: In an ideal world, the financial aid office would be able to award or recommend financial aid to each student for the entire difference between his or her ability to pay and the cost of education. Due to budget constraints, the financial aid office may provide less than a student's need. This gap is known as the unmet need.

Unsecured Loan: A loan not backed by collateral and hence representing greater risk to the lender. Lenders may require a cosigner on the loan to reduce their risk. If you default on the loan, the cosigner will be held responsible for repayment. Most educational loans are unsecured loans. In the case of federal student loans, the federal government guarantees repayment of the loans. Other examples of unsecured loans include credit card charges and personal lines of credit.

Unsubsidized Loan: With an unsubsidized loan, such as the unsubsidized Stafford Loan, the government does not pay the interest that accrues while a borrower is in school, in grace or in deferment. Private/alternative loans are also unsubsidized loans. The borrower is responsible for the interest on an unsubsidized loan from the date the loan is disbursed. Students may have the option while in school of capitalizing the interest. Unsubsidized loans are not based on financial need and may be used to finance the family contribution.

U.S. Department of Education (ED): This department administers several federal student financial aid programs, including the federal Work-Study Program, the federal Perkins Loans, and the federal Stafford Loans.

U.S. Department of Health and Human Services (HHS): This department administers several health education scholarship and loan programs,

including the Scholarships for Disadvantaged Students (SDS), Loans for Disadvantaged Students (LDS), and Health Professions Student Loans (HPSL).

Variable Interest: A loan on which the interest rate changes periodically. Fluctuations are usually tied to certain monetary measures such as a 91-day Treasury Bill, the London Inter Bank Offering Rate (LIBOR), or the prime rate. Points are then added to the base (1 point equals 1 percent). For example, the interest rate for a Stafford Loan for a student in school is pegged to the cost of a 91-day Treasury Bills + 1.7 percent. Variable rates are updated monthly, quarterly, semi-annually, or annually.

Verification: A review process in which the Financial Aid Officer (FAO) determines the accuracy of the information provided on a student's financial aid application. During the verification process a student and spouse, if applicable, will be required to submit documentation on the application. Such documentation may include signed copies of the most recent federal and state income tax returns for you, your spouse (if any), and your parents, proof of citizenship, proof of registration with Selective Service, and copies of Social Security benefit statements and W-2 and 1099 forms, among other things. Financial aid applications are randomly selected by the federal processor for verification, with most schools verifying at least one-third of all applications. If there is an asterisk next to the Expected Family Contribution (EFC) figure on your Student Aid Report, your SAR has been selected for verification. Schools may select additional students for verification if they suspect fraud. Some schools perform 100 percent verification. If any discrepancies are uncovered, the financial aid office may require additional information. Such discrepancies may cause your final financial aid package to be different from the initial package described on the award letter you received from the school. If you refuse to submit the required documentation, your financial aid package can be cancelled and no aid awarded.

W-2 Form: Employers are required by the IRS to issue a W-2 form for each employee before January 31. The form lists the employee's wages and taxes withheld.