

QUESTIONS DENTAL AND DENTAL HYGIENE STUDENTS SHOULD ASK WHEN CONSIDERING PRIVATE LOANS

You may be considering a private loan to help finance your dental education, either in addition to or in lieu of federal loans like the federal direct unsubsidized and federal direct PLUS loans. In general, federal loans offer more flexibility around repayment and postponement options when compared with private loans, something you may find important, especially if you are considering advanced education.

ADEA encourages you to work closely with your financial aid office if you have questions about private loans. We also encourage you to ask the following questions of any lender or loan provider you are considering applying to for a private loan:

Interest rate and capitalization

- What is the current rate? Is the rate variable or fixed?
- If the rate is variable, is there a maximum (cap) and a minimum (floor)?
- If the rate is variable, how often is it reset and how does that impact subsequent payments?
- Are there any discounts available, such as ACH (automatic debit)?
- How often is accrued and unpaid interest added back to the principal balance (which is called capitalization)?

Repayment options and term

- How long do you have to repay these loans?
- Are there other repayment options, such as “interest only” for a designated period of time, if you need short-term help reducing your payments? What is the long-term impact on your balance?
- Can you target any voluntary or additional payments against the principal?

Postponement options

- How long can you postpone payments if needed, especially during an advanced dental education residency?
- Is there a fee to postpone payments, and is this with a deferment or forbearance?
- How do you renew my deferment or forbearance if you need to postpone for a longer period of time?
- Does interest capitalize more frequently during postponement?

Cosigner and cosigner release

- Is a cosigner required to be approved for the loan? Will the terms and conditions be better with a cosigner?
- Is there a provision to release your cosigner if one is required, and if so, how does it work?
- Can you refinance at a lower rate once you complete your dental education and start working?