

## CHAPTER 4

# FINANCING A DENTAL EDUCATION

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*ADEA partnered with a long-time expert in the field of higher education financing to present up-to-date and relevant information to those considering a dental education. Our expert has over 25 years of experience at university campuses, higher education associations, and in the lending industry, guiding students, residents, and administrators in educational debt management and financial literacy.*

The same considerable amount of time you have spent thinking about applying to dental school should be spent thinking about how to pay for your dental education. As you learn about financing options in this chapter and consider the ways to finance your dental education, keep these messages in mind.

- **While expensive, a dental education is an affordable and worthwhile investment.**
- **There are a multitude of options and types of financial aid available to finance your dental education.**
- **You can help minimize the impact of any long-term implications of financing through smart budgeting and responsible borrowing.**
- **While you are ultimately responsible for securing financial assistance for dental school, help exists.**

This chapter is broken into a series of questions you may have about financing your dental education. Be confident that not only can you afford a dental education but you can effectively manage the commitment it entails.

We make every effort to ensure that the most current information is presented. However, financial aid terms, conditions, and programs are subject to change, and we encourage you to keep in close contact with your dental school's financial aid office (FAO) for any changes that may impact the financial aid available to you.

### QUESTION 1

#### **HOW MUCH DOES A DENTAL EDUCATION COST AND HOW MUCH MONEY WILL I NEED?**

Dentists are among the top wage earners in the nation. The average salary for a new dentist who has practiced 10 years or less was between \$182,960 and \$226,390, according to the 2007 ADA Survey of Dental Practice, depending upon what kind of practice and schedule he or she chooses. Dentistry is a financially rewarding career and a great return on your investment. Numerous loan repayment options exist, and with some thoughtful planning, smart budgeting, and responsible borrowing, you can find the cost quite manageable.

In considering the cost of dental education, we look at two different types of costs:

- Out-of-Pocket Costs
- Financing Costs

**■ Out-of-Pocket Costs**

This is the category you may be most familiar with; it refers to the items you pay for directly, including tuition and fees, books, supplies, equipment, and actual living expenses. Your dental school’s financial aid office (FAO) can provide you with an estimate of these costs, sometimes referred to as your cost of attendance (COA) or financial aid budget. ***A breakdown of these numbers for each dental school is in Part II of this book.*** These costs represent the maximum amount of financial aid you can receive each year from any combination of sources (school, federal, private, etc.).

**Budgeting: Control What You Can**

Your room and board and living expenses are, for the most part, the costs you can control. Sticking to a budget in these areas will reduce the amount of money you borrow and have to pay back. The financial aid that does not have to be repaid, such as grants and scholarships, and less expensive types of aid, such as subsidized loans, often cover tuition, fees, and institutional charges. Living expenses are covered by more expensive unsubsidized loans, which accrue interest as soon as they are disbursed.

*See Question 4 for more information on unsubsidized loans, including unsubsidized Stafford and Graduate PLUS.*

Some expenses not allowed for inclusion in your COA are interview expenses for residency or advanced education after dental school, and consumer obligations, such as credit card payments. Make sure you have the resources to cover these expenses during dental school. Any financial distraction can prove to be a distraction from your academic work.

There are reputable organizations that may be able to help with consumer debt or other credit obligations, but be cautious if you seek help. Look for nonprofit organizations, and be wary of organizations that promise to fix any credit challenge you have. Consider starting with an organization such as the National Foundation for Credit Counseling ([www.nfcc.org](http://www.nfcc.org)).

**How Much Do You Really Need?**

Ask yourself three simple questions to determine how much you will need each year for dental school.

- *How much does it cost this year?* This is the cost of attendance or financial aid budget previously discussed. Smart budgeting can help you reduce this.
- *How much do I have to contribute to this year’s costs?* This is determined by the resources you have to put toward school, perhaps a combination of savings and family support. Once accepted to dental school, your FAO will determine this amount based on your Free Application for Federal Student Aid (FAFSA). If what you are expected to contribute does not match what you think you have available, you can contact your FAO about possibly adjusting the cost of attendance to better reflect your financial circumstances.
- *How much more do I need this year to cover the cost?* The difference between your total cost and how much you can contribute will be used by your FAO to determine what kind of financial aid you will receive.

**■ Financing Costs**

The costs associated with borrowing money for dental school include not only the principal of any loan but also financing costs. Financing costs include the interest and fees that increase your total repayment amount. These costs can be manageable, and understanding how financing costs work shows you how two dental students can borrow the same amount but pay back vastly different amounts. Several variables affect financing costs and how much you must pay back: interest rates, capitalization, deferment and forbearance, and repayment strategy. *See the Glossary at the end of this chapter for full definitions of these and other financial aid terms.*

**Sample First-Year Cost of Attendance**

Tuition and Fees	\$29,000
Books, Supplies, & Equipment	
Instruments	\$3,400
Lab and Clinic Attire	\$1,000
Computer	\$1,400
Living Expenses	\$21,000
Total	\$55,800

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***One way to reduce how much you pay back on your student loans is to ask family members or others to pay the interest on one of your unsubsidized loans for a short period of time.***

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See Question 4 for more information on student loans and their financing costs and repayment plans.

## QUESTION 2

### I NEED FINANCIAL AID. ARE THERE OPTIONS OTHER THAN STUDENT LOANS?

While the majority of dental students take out student loans to help pay for school, there are other options available that can be part of a package of financial assistance.

Some options are considered “traditional” types of financial aid because they are awarded through your financial aid office (FAO). Some may be awarded by organizations outside the school. There are still other options not considered traditional financial aid that may help to defray the costs of your dental education.

#### ■ Grants and Scholarships

Unlike student loans, grants and scholarships do not have to be repaid, and you may hear them referred to as “gift” aid. It is no surprise that these tend to be the first choice of anyone seeking financial aid.

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

- *Institutional Grants and Scholarships* are given by the school as part of a financial aid award package of funds. Check with your FAO about application forms and deadlines.
- *Outside Scholarships* are awarded by organizations other than the school. You must apply for these independently. These can be found through search engines, such as [www.fastweb.com](http://www.fastweb.com), or organizations such as ADEA. Use caution with any scholarship searches that require payment for their services. Outside scholarships should be reported to the FAO and may be sent to your school when disbursed.
- *Service Commitment Scholarships* provide financial support while you are in school in exchange for your service after graduation. Programs are offered by the armed forces, National Health Service Corps (NHSC), and Indian Health Service (IHS). See Question 3 for details on these and other loan repayment programs.

#### ■ Education Tax Breaks

A number of tax credits and deductions exist to help defray the cost of your dental education, including some that are available during the repayment period. Review *IRS Publication 970: Tax Benefits for Education* for detailed information on any tax credit or deductions you may qualify for. You may also want to consult a professional tax advisor or other qualified financial advisor for assistance.

The *Lifetime Learning Credit* is applied on your tax return for qualified tuition and related expenses at a postsecondary education institution.

The *Student Loan Interest Deduction* allows borrowers to deduct interest paid on qualified student loans.

The *Tuition and Fees Deduction* allows students to reduce their taxable income for tuition and fees paid toward education.

#### ■ Research Fellowship or Traineeship

A scholarship or stipend may be offered that involves conducting scientific research. Contact your FAO to see if these funds are available at your school.

#### ■ Work-Study

Work-study programs provide an opportunity to receive income by working part time. However, due to the demands of the dental school curriculum, you may find it difficult to take advantage of this kind of financial aid.

Your financial aid office should always be your first point of contact for financial aid. However, consider all kinds of financial aid and assistance when figuring out how to pay for your dental education, including:

- Grants and scholarships with or without a service commitment
- Loans and loan repayment programs
- Work-study programs
- Research fellowships and traineeships
- Education tax breaks

The federal government offers Scholarships for Disadvantaged Students (SDS). These awards are available to students from disadvantaged backgrounds as defined by the U.S. Department of Health and Human Services (HHS). See the glossary for a full definition. Contact your FAO for availability of funds and application process and deadlines.

**QUESTION 3****IS THERE ANY FINANCIAL AID AVAILABLE FOR INTERNATIONAL STUDENTS?**

International students coming to the United States to attend dental school should always check with the financial aid office (FAO) of their school regarding financial aid opportunities. While you must be a U.S. citizen or permanent resident in order to qualify for federal financial aid, there may be options available for others. Check out [www.edupass.org/finaid](http://www.edupass.org/finaid) for information on financial aid for international students, including scholarships, loans, helpful organizations, and the process for applying for aid.

**Loans for International Students**

You may be eligible for a private loan for dental school, though you can expect your lender to require a creditworthy cosigner who is a U.S. citizen or permanent resident. Private loans have variable interest rates, often with no interest rate cap, and are unsubsidized loans. If the interest is not paid, it will eventually be added back to the principal through capitalization.

**Scholarships for International Students**

Your school may designate funds for international students, so again check with your FAO. These scholarships may be based on merit or academic interest. In addition, the cultural department or education minister's office at your embassy may be able to offer assistance.

**QUESTION 4****WHAT TYPES OF STUDENT LOANS ARE THERE? WHAT ARE MY REPAYMENT OPTIONS?**

According to results from the Annual ADEA Survey of Dental School Seniors, 90.6% of 2009 graduates left school with student loan debt. The average debt for all indebted graduates was \$180,644. The average debt from public and private schools was \$155,407 and \$215,330 respectively. Nearly one out of every five students in the class of 2009 graduated with \$250,000 or more in student loans; however, the same ratio of students reported leaving dental school without any educational debt or debt under \$80,000.

Before you look at individual loan programs, consider the following.

- Apply early for the best financial aid possible, including the lowest interest rate loans, by contacting your FAO and applying as directed in a timely manner.
- Be cautious when considering a consumer or other private loan to help pay for your dental education. Federal loans and campus-based loans almost always offer more favorable terms and conditions, as well as flexible repayment plans.
- If you do not apply for or do not qualify for any institutional financial aid such as grants, scholarships, or campus-based loans, you can borrow up to the full COA with federal loans with a combination of subsidized and unsubsidized Stafford loans, and if needed, Graduate PLUS loans.

The following is a list of various loan programs available. Stafford and Graduate PLUS loans comprise the bulk of many dental students' student loan portfolios; campus-based loans may not be available to all students. You must be a U.S. citizen or permanent resident to qualify for federal financial aid.

**■ Federal Stafford Loans**

There are two types of federal Stafford loans that many consider the foundation of a student loan portfolio: subsidized and unsubsidized. Subsidized loans are based on need and interest-free during school and any grace or deferment periods. Unsubsidized

## STUDENT PROFILE



DANIEL HAMMER

THIRD-YEAR DENTAL STUDENT  
UNIVERSITY OF THE PACIFIC ARTHUR A. DUGONI  
SCHOOL OF DENTISTRY  
HOMETOWN: MILWAUKEE, WISCONSIN

*Why dentistry?*

Unlike many of my classmates, I don't have any dentists in my immediate family. What drew me to dentistry was the opportunity it allows to create a patient-centered practice and provide lifelong care to patients.

*What are you doing now?*

In addition to completing my final year of dental school, I keep myself busy with many extracurricular activities.

It's easy to get caught up in the dental school vortex of tests and practicals, but I urge you to resist this. I am currently Student Body President for the Dugoni School of Dentistry and District 11 Trustee for the American Student Dental Association (ASDA). Though I have learned restorative, removable, and many other skills within the dental school curriculum, it is my involvement in student leadership that will shape the dentist I will be. Dentists must be team leaders and community leaders. Gaining leadership skills while in dental school will enhance my future practice and those I will serve.

*What are your short-term and long-term goals?*

I am on a U.S. Navy scholarship, and I look forward to beginning my General Practice Residency (GPR) with the U.S. Navy Dental Corps. My current involvement in ASDA reaffirmed my passion for public service and health. I look forward to working for the Navy and exploring the many aspects of dentistry.

*What did you look for when choosing a dental school?*

The people! I looked for schools where the people were happy and wanted you to check out their school. I wanted a school that focused on community outreach, leadership, and clinical skills. I encourage applicants to look past the numbers and explore programs in depth. Review what brought you the most happiness in your preparation for dental school; try to find a school with programs that support those things.

*Any advice for applicants?*

Don't think you have to have a specific number of hours of shadowing to be the perfect applicant. Schools are looking for dynamic, passionate individuals. The application

process is too competitive to only submit an application with every box checked off. Tell them your story, and show them what you are passionate about without quantifying it. If you highlight your passion, dentistry or not, the school will be able to see the true you, which is what they really want.

*What did you do to work on your manual dexterity?*

I took some ceramics classes and did research in grad school using an electron microscope. I think success in preclinical courses is determined by hard work and practice, not how many hours you spent working on manual dexterity. Allow time for growth and know it will come.

*Would you advise shadowing?*

I did very little shadowing prior to dental school; however, the hours I did do confirmed my desire to become a dentist. I made sure to shadow in practices that matched my values and concern for patient care. I encourage applicants to shadow as much as possible. It shows you how a practice is run and exposes you to dental procedures, instruments, and treatment planning, which will pay off more than you think!

*What is your advice on financial aid?*

Look at everything and look early. There are so many opportunities for financial assistance, but they fill up fast. Contact the financial aid office at your campus, the armed forces, the Indian Health Service, the National Health Service Corps, and the many other organizations that can help fund your education. Investigate all options before you write them off.

*What is your relationship status?*

Single.

loans are based on your COA minus any other aid and accrue interest from the date of disbursement (while you are in school and during any grace or deferment periods). The interest on unsubsidized loans will likely be capitalized when you enter repayment.

- Some schools may require you borrow Stafford loans first, especially subsidized loans, before considering you for campus-based loans.
- Effective July 1, 2010, the federal government is the lender for all Stafford loans through its William D. Ford Federal Direct Loan Program.
- You may borrow a maximum of \$40,500 per year in both subsidized and unsubsidized federal Stafford loans, which includes up to \$8,500 in need-based subsidized Stafford loans and any additional unsubsidized loans, up to a maximum of \$224,000 for both undergraduate and graduate education.
- A 6.8% fixed interest rate for the life of the loan (for loans disbursed on or after July 1, 2006) and a six-month grace period.
- You may see a list of your Stafford loans from the National Student Loan Data System (NSLDS) database at [www.nsls.ed.gov](http://www.nsls.ed.gov).

### ■ Federal Graduate PLUS

Graduate PLUS loans may be used to supplement borrowing needs beyond Stafford loans. Interest does accrue from disbursement and will eventually be capitalized.

- Awards are based in part on the borrower being credit-ready (*see Question 5 for information on "credit-ready"*).

- Effective July 1, 2010, the federal government is the lender through its Direct Loan Program.
- You may borrow up to your entire COA less any other aid, including federal Stafford loans.
- There is no annual or cumulative maximum.
- A 7.9% fixed interest rate is in place for the entire life of the loan with no official grace period, but a six-month post-enrollment deferment is available for loans disbursed on or after July 1, 2008.
- Also reflected on NSLDS.

#### ■ Federal Perkins

Federal Perkins loans are federal loans administered by your school and sometimes referred to as “campus-based” loans, because your school acts as the lender. They are distributed based on need, and usually you are automatically considered for them if you apply for financial aid with the FAO and meet any established deadlines.

- Subsidized loans are interest-free during school and periods of grace or deferment.
- A 5% fixed interest rate for the life of the loan and a nine-month grace period are in place.
- Also reflected on NSLDS.

#### ■ Health Professions Student Loan (HPSL)

Health Professions Student Loans are part of the Title VII federal loan program provided through the U.S. Department of Health and Human Services (HHS) but administered by your school. They are based on exceptional financial need, and usually you are automatically considered for HPSL if you apply for financial aid with the FAO, meet any established deadlines, and provide additional information required (such as parental financial information).

- Subsidized and interest-free during school and any grace or deferment periods.
- A 5% fixed interest rate is in place for the life of the loan.
- Keep good records, because HPSL is not reflected on NSLDS.

#### ■ Loans for Disadvantaged Students (LDS)

The Loans for Disadvantaged Students program has similar terms and conditions as HPSL. A borrower must be from a disadvantaged background as determined by criteria established by the U.S. Department of Health and Human Services (HHS). *See the Disadvantaged Background definition in the Glossary.* Your FAO will determine your eligibility for this program. LDS loans are not reflected on NSLDS.

#### ■ Institutional Loans

Your school may offer loans with favorable terms and conditions. Check with your FAO on their availability and application requirements.

#### ■ Private Loans

Due to the availability of Graduate PLUS, private loans are a last resort rarely needed during dental school. They are based, in part, on the credit of the borrower, cosigner, or both. They often have limited repayment flexibility and limited options for postponing payments. Often they are only needed for residency interview and relocation costs during your last year of school and any transition period between school and residency.

- Unsubsidized, most often with variable interest rates that may not have a cap.

## REPAYMENT

### ■ Repayment Strategies and Repayment Plans

In addition to the fact that dentistry is a financially rewarding field, there are numerous repayment plans that help explain why dental school graduates have a strong record of repaying their student loans. A number of factors may influence your repayment strategy, but generally approaches fall into one of the three camps below. You may opt to:

1. *Maximize your monthly cash flow to free up as much cash as possible for other financial commitments or obligations.* Someone with family commitments, medical expenses, consumer debt, or any combination of these might choose this scenario. He uses a repayment plan that minimizes payments, though this can increase interest costs in the long run.
2. *Aggressively pay back your student loan to minimize the impact of interest and capitalization.* Someone with no other outstanding financial obligations whose monthly cash flow allows for higher monthly payments may use this strategy. She pays more than the minimum required each month. There is never a penalty for early repayment of federal loans.
3. *Enroll in a program that repays your loan in exchange for your service commitment.* There are programs that allow dental graduates to receive student loan repayment in exchange for their service. See the listing of programs at the end of this section.

Repayment begins when any applicable grace period expires. Most student loans have some type of grace period to allow you to get settled before you are required to make your first payment. You will learn more about repayment options during school and at your required exit interview; however, the brief description of repayment plans available for federal loans below will give you an idea about repayment options before you take out any loans. While there are certainly exceptions, a generally accepted industry standard is that student loan payments should not exceed 8-12% of a borrower's gross income in order to be manageable.

#### Standard

- This is a 10-year repayment schedule with the same payment due each month.
- Monthly payments tend to be higher, but this is the least expensive plan in the long run because the repayment term is relatively short.
- If you do not choose another repayment plan, you will be assigned a standard repayment plan.
- This plan may be of interest to a borrower with a steady income high enough to manage the monthly payments.

#### Graduated

- Usually a 10-year repayment schedule, though some plans are extended with an interest-only option.
- Payments start relatively small and increase in designated amounts at designated intervals.
- Lower initial payments result in higher overall repayment costs when compared to the standard plan.
- This plan may be of interest to a borrower with other short-term financial obligations.

#### Income "Related"

- Payment amounts are calculated (at least in part) on a borrower's income and thus may grow each year as income increases.
- Repayment period may run from 10 to 25 years.

**STUDENT PROFILE**



**KATARZYNA (KASHA) PIEKARSKA**

FOURTH-YEAR DENTAL STUDENT  
 CREIGHTON UNIVERSITY  
 HOMETOWN: CHICAGO, ILLINOIS

*Why dentistry?*

I grew up in Poland, where there was no preventive dentistry or use of anesthesia in dental treatment. After I moved to the United States, I broke a tooth freshman

year in high school. The care that I received convinced me that I wanted to be a dentist. I realized dentistry is a marvelous way to help others. I want to be a doctor who can help people overcome their fear of dentistry.

*What are you doing now?*

I am in my fourth year at Creighton University. I volunteer at as many events as possible to provide dental care to underserved populations.

*What are your short-term and long-term plans?*

When I graduate, I plan to complete one year of Advanced Education in General Dentistry (AEGD) or a General Practice Residency (GPR). My long-term plan is to become a general practice associate or work in a public health care setting, such as the U.S. Department of Veterans Affairs or another federally sponsored clinic.

*Any advice for applicants?*

Be honest about who you are as a person, your strengths and your weaknesses. There are thousands of applicants with similar scores and grades; the deciding factor is your character and how well it fits in with a school's mission.

*What helped make the transition to dental school easier?*

I moved 500 miles from my hometown of Chicago, Illinois, to Omaha, Nebraska. The thought of leaving my family and Polish neighborhood was scary. I wasn't sure how hard it would be to adjust to new surroundings. Once I arrived, I realized how friendly everyone in Omaha is.

The small class size at Creighton and long hours spent with classmates gave me the chance to make friends during the first few days of dental school. I realize now that those people became my closest friends and the only ones could truly understand all the struggles we go through in dental school.

*Would you advise shadowing?*

I worked as a dental assistant for almost five years before starting dental school. I think working in a dental office is the best thing you can do before applying to dental school. It gives you the real scoop of what dentistry is all about and prepares you for the long road ahead.

*What is your advice on financial aid?*

Coming from a single-parent, low-income family, I didn't let finances get in my way of pursuing my dream of being a dentist. I think of my educational costs as an investment in myself and my future. I work as a dental assistant whenever I have a break from school to help with costs. It's really hard to work through school, especially when you have 10 finals in one week. I wouldn't recommend working while in school until you figure out how much free time you will have.

*What is your relationship status?*

I was in a long-distance relationship during the first two years of dental school. My boyfriend then moved to Nebraska from Illinois. He is the greatest support I could have. It's great to have a support system; however, balancing personal time with a busy school schedule can be difficult.

- Several variations of the plan exist, including the relatively new Income-Based Repayment (IBR) Plan, which caps payments at 15% of a borrower's discretionary income for eligible borrowers.
- Lower initial payments result in higher overall interest costs when compared to a standard plan.
- Income-related plans may be of interest to a borrower with a variable income or other financial obligations.

**Extended**

- Level payments up to 25-30 years, depending on your outstanding balance.
- Lower monthly payments but potentially higher repayment costs, due to the extended length of repayment term.
- May be of interest to a borrower with a steady income who has long-term financial obligations.

Borrowers may switch repayment plans, with a few exceptions. Campus-based loans (such as Perkins, HPSL, and LDS) usually have 10-year standard repayment plans, while private loans tend to have 15- or 20-year repayment terms, often with little flexibility.

■ **Loan Consolidation**

Loan consolidation is often considered a repayment strategy, though it is not appropriate for all borrowers. It allows a borrower to pay off (or refinance) multiple loans into one new loan. The rules governing loan consolidation have changed over the years. One of the main reasons borrowers may be interested in consolidation is that it offers the convenience of having one loan to manage and repay and one loan servicer to work with in repayment.

Now that all federal Stafford and Graduate PLUS loans are borrowed directly from the government through the Direct Loan Program, you will automatically have one lender for all federal loans taken out during dental school. Your Direct Loan servicer should be able to provide you the convenience of one bill for all your Direct Loans without having to consolidate them. Since interest rates on new federal loans are fixed, consolidation no longer offers most borrowers the advantage of locking in a relatively low rate, as was the case for borrowers with variable rate loans taken out before July 1, 2006. Contact your FAO with questions about consolidating your student loans. Additional information is available at the FAQ section of the Direct Consolidation Loan program website at [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov).

### ■ Loan Repayment Programs Tied to Service Commitment

You may be eligible for the following programs after graduation to help repay your educational loans. Pay special attention to the Considerations section following this listing, as there are a number of factors to consider with any service commitment program. Please refer to a program's website or contact them by phone for additional information on requirements.

**Armed Forces Health Professions Scholarship Program** provides scholarships for dental students that cover tuition and fees, equipment, and a stipend in exchange for a three-year minimum commitment. Students must meet eligibility requirements and be enrolled at a dental school accredited by the Commission on Dental Accreditation. See [www.goarmy.com/amedd/education/hpsp](http://www.goarmy.com/amedd/education/hpsp), [www.navy.com/healthcareopportunities](http://www.navy.com/healthcareopportunities), or [www.airforce.com/opportunities/healthcare](http://www.airforce.com/opportunities/healthcare) for details.

**Faculty Loan Repayment Program** offers up to \$40,000 toward repayment of student loans for individuals from disadvantaged backgrounds who serve as faculty of an accredited health professions college or university for two years. Visit [www.hrsa.gov/loan-scholarships/repayment/faculty](http://www.hrsa.gov/loan-scholarships/repayment/faculty) or call 800-221-9393 for more information.

**Federal Student Loan Repayment Program** is offered by individual federal agencies to help recruit and retain highly trained individuals for a three-year employment commitment. Awards offer \$10,000 per year payment on eligible loans, not to exceed \$60,000 for any one employee. Visit [www.opm.gov/oca/pay/studentloan](http://www.opm.gov/oca/pay/studentloan) for more information.

**Indian Health Service Loan Repayment Program** offers up to \$20,000 toward repayment of eligible student loans per year of service with a two-year minimum commitment. This program is designed to help meet the staffing needs of Indian health programs. Visit [www.loanrepayment.ihs.gov](http://www.loanrepayment.ihs.gov) or call 301-443-3396 for more information.

**National Health Service Corps Loan Repayment Program** offers a minimum of \$50,000 toward repayment of a student's loans in exchange for a minimum two-year service commitment in a Health Professional Shortage Area (HPSA). A total of \$145,000 is available for five years of service, with additional amounts available for additional years of service. Visit [www.nhsc.hrsa.gov/loanrepayment](http://www.nhsc.hrsa.gov/loanrepayment) or 800-221-9393 for more information.

## Federal Scholarships During and After Dental School

Did you know there are additional federally funded scholarships available for predoctoral and postdoctoral students with interests in research?

- The National Institute of Dental and Craniofacial Research (NIDCR) offers numerous programs for dental students who have an interest in dental research. [www.nidcr.nih.gov/CareersandTraining](http://www.nidcr.nih.gov/CareersandTraining)
- The Howard Hughes Medical Institute Research Scholars Program is a joint program with the National Institutes of Health (NIH). The program provides the opportunity for students to work in an NIH laboratory as part of the research team. [www.hhmi.org/science/cloister](http://www.hhmi.org/science/cloister)
- The NIH/Fogarty International Clinical Research Scholars and Fellows Program provides the opportunity for individuals to experience mentored research training at NIH-funded research centers in developing countries. For more information, contact the Fogarty International Center at 301-496-1653.
- Research opportunities for graduate students through the Graduate Partnerships Program. <http://gpp.nih.gov>
- Other opportunities through the National Institutes of Health (NIH) during or after dental school. [www.grants.nih.gov/grants/guide](http://www.grants.nih.gov/grants/guide)

**National Institutes of Health Loan Repayment Program** awards up to \$35,000 toward repayment of eligible student loans per year of research with a minimum of a two-year commitment. Visit [www.lrp.nih.gov](http://www.lrp.nih.gov) or call 866-849-4047 for more information.

### **Considerations with Loan Repayment Programs**

If any of the above loan repayment programs interest you, there are a few things you will want to consider as you proceed:

**Tax implications** – Any money that you receive from a loan repayment program is considered taxable income. Lump-sum loan repayments can be helpful because they generally lower the amount of interest you pay over the life of your loan, but they can also result in a higher tax burden. Gradual loan repayments may lessen your tax burden, but you may end up paying more in interest costs. If given the choice between lump-sum and gradual loan repayments, take a close look at your personal financial situation to decide what's best for you. Some programs will also cover the cost of your taxes, so make sure to ask about this before you make a commitment.

**Application dates** – Some programs require that you sign up before you finish school. It's a good idea to consider these programs early.

**Service contracts** – Loan repayment in the majority of these programs is contingent on a specified length of service outlined by your service contract. Breach of the contract is serious business and can result in heavy financial penalties (not to mention loss of repayment funds)! Make sure you do not have future commitments that could adversely impact your completing the required term of service.

**Eligibility requirements** – It sounds simple, but make sure you are eligible for the loan repayment programs to which you are applying. For example, eligibility may include the requirement that you come from a disadvantaged background (as certified by your educational institution). Be sure you are eligible before you spend time applying, as you may miss out on other opportunities.

**False assumptions** – Some students may be turned off by loan repayment programs because they're afraid they will lose control over where they will live and work in the few years after graduation. While possibly true in some situations, this is not always the case, and you should not let assumptions about a program prevent you from participating. Do your homework up front and find out what each program will require of you.

**Future goals** – Do you want to eventually buy a house or help a sibling pay for his or her education? What about opening your own practice or entering academia? Perhaps you want to be a leader in community service? The better you manage your educational debts, the easier it may be to focus on these and other goals. Loan repayment programs may be a great way to help you accomplish this.

### **Public Service Loan Forgiveness**

This relatively new program provides eligible borrowers the chance to have a portion of their student loan portfolio forgiven after 10 years, assuming there is a balance remaining and the borrower meets certain conditions. The requirements are:

- Only Stafford, Graduate PLUS, and consolidated loans borrowed through the Direct Loan Program are eligible for forgiveness
- Borrowers must make 120 eligible payments that result in an outstanding balance after 10 years
- Borrowers must work in a position considered as public service by the federal government while making the 120 required eligible payments

*See Question 8 for resources that provide additional information on public service loan forgiveness programs.*

**QUESTION 5****WHAT DO STUDENT LOANS HAVE TO DO WITH MY CREDIT?**

The short answer is a lot, and understanding credit and how it relates to your student loans is an important part of sound educational debt management. This discussion is broken into four areas:

- The “Double Whammy”
- Credit Ready and Credit Worthy
- Budgeting and Credit Education
- Changes in the Credit Card Industry

**■ The “Double Whammy”**

Over one third of your credit score comes from your repayment history. This can cause complications for a student because, in general, she often has a thin credit file, meaning she is just not old enough to have established a long credit history and proven how responsible she is with making payments on time and managing financial obligations. While in and of itself this is not a problem (everyone starts with a thin credit file), one danger is that a small mistake can have an exaggerated adverse impact on your credit.

*For example, if a 55-year-old man with a solid credit history is more than 30 days late with a payment, its effect on his credit score will likely be outweighed by many years of timely payments. Creditors may assume this late payment is an exception and not a pattern.*

*However, if a 23-year-old first-year dental student is more than 30 days late with a payment, his credit score could drop dramatically because there is no history of timely payments. Creditors may not know if this is a routine behavior or an exception.*

Students don’t really have a chance to work on their repayment history until after dental school, when they start paying their loans back. A thin credit history combined with a delay in paying back your student loans is considered a “Double Whammy” to your credit score.

**■ Credit Ready and Credit Worthy**

*Credit ready* usually means a borrower has no credit history, there are no adverse items in the borrower’s credit history (such as payments 30 and 60 days late), or both.

*Credit worthy* usually means the lender has dug a bit deeper into a borrower’s credit history. They may look for a minimum credit score and a debt-to-income (DTI) ratio that indicates current income is high enough to sustain loan payments.

A lender making private loans may use a combination of “credit ready” and “credit worthy” requirements to determine eligibility, interest rate, and origination or other fees for a private loan. There are no credit checks for Stafford loans and only a credit-ready check for Graduate PLUS loans.

**■ Changes in the Credit Card Industry**

There have been important changes in the credit card industry designed to help protect consumers. These started with the passage of the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act) in May 2009, followed by additional changes taking effect in August 2009, February 2010, and August 2010.

As a future dental student, you may find the following changes in the credit card industry of particular interest when you discover your school’s COA and begin to establish your living budget for school.

- If you are under 21, you cannot be issued a credit card without an adult cosigner on the account unless you can prove you have enough income to repay the debt.
- Your monthly credit card statement must include information showing you how much you have paid in interest and fees during the current year to date.

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***Even with the new consumer protections on credit cards, it remains more important than ever to eliminate any outstanding credit card debt before you start dental school.***

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- Your statement must include information on the monthly amount required to pay off your existing balance in three years and the consequences of making only the minimum payment.
- Your credit card company will no longer approve purchases that exceed your credit limit unless you agree to such an arrangement.

The following resources may be helpful should you have questions about credit:

**Myfico.com** and **myfico.com/crediteducation** provide detailed information about credit.

**www.homebuyinginstitute.com/laws** provides an easy-to-follow summary of changes in the credit card industry.

**Bankrate.com** provides information under the “debt management” header.

**Annualcreditreport.com** is the only government-approved site where consumers can get a free credit report on an annual basis.

## QUESTION 6

### **ARE THERE ANY RECENT CHANGES IN FINANCIAL AID THAT I SHOULD KNOW ABOUT?**

There is a good chance you will see some changes in financial aid during your years in dental school, as lawmakers and others continue to try to improve the process of applying for aid as well as ensure enough financial aid is available to those in need. The best way to keep informed about any changes that occur while you are in dental school and during your years in repayment is to stay in contact with your institution’s financial aid office (FAO). It continues to be one of the best sources of information.

#### ■ **Income-Based Repayment (IBR)**

This relatively new program is available to eligible borrowers who find their income insufficient (perhaps during a residency program) for making loan payments. IBR caps payments on eligible loans (Stafford, Graduate PLUS, and consolidated loans) at 15% of a borrower’s discretionary income, providing a way for borrowers to actively repay loans while minimizing the impact on their monthly budgets.

#### ■ **Stafford and Graduate PLUS Loans Now Originate Solely from the Federal Government**

Effective July 1, 2010, the federal government originates all new Stafford and Graduate PLUS loans through its Direct Loan Program. The Direct Loan Program has been around for years, so there is a chance you already have federal loans through this program if your undergraduate institution participated in the program.

#### ■ **Public Service Loan Forgiveness**

This relatively new and much-discussed program enables a borrower to have a portion of her student loan portfolio forgiven after 10 years, assuming there is a balance remaining and she meets certain conditions. *See Question 4 for more information.*

## QUESTION 7

### **HOW DO I GET STARTED, AND IS THERE A CHECKLIST I CAN USE TO BE SURE I DON’T FORGET ANYTHING?**

We suggest several important steps:

1. Contact the financial aid office (FAO) and ask the following questions:

Are there any grants or scholarships available, and if so, are they need-based, merit-based, or both?

Are there any separate forms or applications to complete, and if so, what are the submission deadlines?

Does the FAO require parental information be submitted for consideration for any campus-based grants, scholarships, or loans?

What is the first-year cost of attendance (financial aid budget) and what is the expected monthly living allowance, so that I can start working on my budget?

Are there additional types of financial aid available through the school such as work-study programs, traineeships, and fellowships?

Are there any summer internships or other paid research or work opportunities for incoming dental students during the summer before school starts?

2. Be sure to complete the Free Application for Federal Student Aid (FAFSA)

The FAFSA is available online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov). Your FAO will need this to consider you for financial aid. Check with them about any deadlines for receipt of the FAFSA results, but plan on completing the FAFSA as soon as possible after January 1 of your anticipated matriculation year.

3. If you have any outstanding student loans, be sure to get your financial aid records in order.

Contact your loan servicer(s) and ensure they have your up-to-date contact information, including mailing and email addresses and phone number. Be sure they know when and where you are starting dental school and your expected graduation date.

Go to [www.nsls.ed.gov](http://www.nsls.ed.gov) and get an updated record of any outstanding federal student loans you have before you matriculate. You should be able to find your current loan servicer(s) for federal student loans at this site.

Set up both paper and electronic files to keep all financial aid-related documents, including:

- Copies of any financial aid award letters or notices from the FAO
- Copies of your Master Promissory Note for any federal loans
- Disclosure Notices from your lender
- Borrower Rights and Responsibilities Statements

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***While the financial aid office cannot process your application for financial aid until you are accepted, you should not wait until you are accepted to start the aid application process. Complete your aid application early, so that once you are accepted the FAO can begin reviewing your file.***

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## QUESTION 8

### WHERE CAN I GO IF I NEED MORE HELP?

Your best resource will be your financial aid office (FAO); however, additional resources are listed below, some of which have been referenced earlier.

#### ■ Credit Information and Financial Planning

**[www.annualcreditreport.com](http://www.annualcreditreport.com):** This is the only website authorized by the Federal Trade Commission (FTC) to provide free credit reports. You may request a report from each of the three major credit reporting agencies once a year via this organization.

**[www.bankrate.com](http://www.bankrate.com):** Provides information on credit management, mortgages, credit cards, interest rates, and more.

**[www.FPAnet.org](http://www.FPAnet.org):** Financial Planning Association (FPA), a nonprofit organization, has useful, free information on their website regarding basic financial planning and money management.

**[www.nfcc.org](http://www.nfcc.org):** Provides information on credit counseling from the National Foundation for Credit Counseling and its partners and offers calculators, budget workshops, and tips for financially responsible behavior.

### ■ Financial Aid

**www.finaid.org:** A comprehensive site that includes information on all types of financial aid, a searchable database for scholarships ([www.fastweb.com](http://www.fastweb.com)), and various repayment calculators.

**www.ibrinfo.org:** Information on the Income-Based Repayment (IBR) Plan and the Public Service Loan Forgiveness (PSLF) Program from the nonpartisan Project on Student Debt.

**www.nsls.ed.gov:** Provides a comprehensive listing of all your federal Title IV loans (Stafford, Graduate PLUS, Perkins, Federal Consolidation), including information about your loan servicer(s). You will need your federal PIN to access your record.

**www.studentaid.ed.gov:** U.S. Department of Education site with information about federal financial aid and tools and resources for student borrowing.

**www.loanconsolidation.ed.gov:** Provides information about loan consolidation and an online application.

### ■ Tax Information

**www.irs.gov/publications/p970:** Information on tax credits and deductions you may be able to use as a student with federal loans, including the Lifetime Learning Credit, tuition and fees deduction, and student loan interest deduction.

## GLOSSARY

## STUDENT LOAN TERMS EVERY RESPONSIBLE BORROWER SHOULD KNOW

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**Accrued Interest:** Interest assessed on the unpaid balance of the loan principal that in most cases is the responsibility of the borrower to pay.

**Aggregate Debt:** The total amount of outstanding student loans from all loan programs combined owed by one borrower.

**Aggregate Loan Limits:** The total amount of outstanding principal borrowed in one specific student loan program.

**Amortization:** The process of repaying debt over an extended period of time through periodic installment payments of principal and interest. You may hear your repayment schedule referred to as your “amortization schedule” or that your student loans are “amortized” over a designated period of time.

**Annual Percentage Rate (APR):** An annual interest rate that reflects the total cost of a loan, including not only the stated interest rate but also any loan fees and possible repayment benefits or discounts.

**Borrower:** A student who obtains money from a lender based on a legal obligation to repay the money according to the terms of a promissory note.

**Borrower Benefits:** Interest rate discounts or reimbursements provided to a borrower by the lender as a means for reducing the cost of the loan. Also referred to as “repayment incentives.” Check your promissory note or disclosure statement, or contact your lender for details.

**Campus-Based Aid:** Financial aid programs awarded directly by a dental school or institution. This may include any grants and scholarships from the school as well as federal programs such as the Federal Perkins Loan, the Health Professions Student Loan, Loans for Disadvantaged Students, and Federal Work-Study programs.

**Capitalization:** The process of adding accrued and unpaid interest to the principal of a loan. Capitalization increases the total repayment amount and thus the monthly payment.

**Cosigner Release:** Process through which a lender releases a creditworthy cosigner from his or her obligation to repay a loan he or she cosigned

for. A borrower should contact the lender to see if such a provision exists. See “Creditworthy Cosigner” for more details.

**Creditworthy Cosigner:** An individual deemed credit worthy by a lender who will assume responsibility for the loan if the borrower should fail to repay it. Usually only applicable to private loan programs.

**Cost of Attendance (COA):** See Financial Aid Budget.

**Credit Reporting Agency (Credit Bureau):** An agency that compiles, maintains, and distributes credit and other personal information to potential creditors or lenders, thereby assisting in the determination for that creditor or lender as to whether or not a potential borrower is likely to repay any financing offered.

**Credit Score:** An evaluation that represents the likelihood a borrower will repay a financial obligation, reflected as a three-digit number.

**Consolidation:** Paying off or refinancing multiple loans with one new loan.

**Default:** Failure of a borrower to make payments when due or to comply with loan terms as stated in the promissory note. In general, federal student loans are considered in default after being delinquent 270 days (the time frame may differ for private loans). Default may result in actions by the holder of your loan to recover the money owed, including garnishing your wages, withholding income tax refunds, and notifying national credit bureaus of the default. Defaulting on a government loan renders a borrower ineligible for future federal financial aid unless a satisfactory repayment schedule is arranged. Default adversely impacts credit and may stay on a borrower’s credit record for up to seven years.

**Deferment:** A period of time during which a borrower may postpone payment on a loan, assuming he or she meets the requirements established by law or regulation or contained in the promissory note. Subsidized loans such as the subsidized Stafford and Perkins loans are interest-free to borrowers during periods of deferment, while unsubsidized loans such as unsubsidized Stafford and Graduate PLUS loans continue to accrue interest. Please note

that use of the term “deferment” when describing periods when a borrower is allowed to postpone payments on a private loan may actually be a reference to forbearance (see “Forbearance”).

**Delinquency:** Failure of a borrower to make a payment by the due date. In general, any delinquency greater than 30 days is reported to credit reporting agencies. Once the delinquency exceeds a specified number of days (varies depending on the loan program), the borrower 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. Census Bureau, 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 dental school you plan to attend is responsible for making a determination of your disadvantaged status.

**Disbursement Date:** The date on which the lender issues the loan proceeds, either by check or by electronic funds transfer, to the dental school or institution, typically to the student’s account at the school.

**Disclosure Statement:** Document stating the terms and conditions of a student loan. In general, disclosure statements are provided at the time of application, approval, disbursement, and repayment. Disclosure statements include information on the interest rate, fees, and repayment terms. Along with the promissory note, disclosure statements are among the important loan documents a borrower should keep.

**Electronic Funds Transfer (EFT):** Method whereby loan proceeds are disbursed to the school. Stafford and Graduate PLUS loans are generally disbursed via EFT to the borrower’s school and automatically applied to his or her student account.

**Eligible Noncitizen:** Someone who is not a U.S. citizen but is nonetheless eligible for federal student aid. Eligible noncitizens include U.S. permanent residents who are holders of valid green cards, U.S. nationals, those holding Form I-94 who have been granted refugee or asylum

status, and certain other noncitizens. A non-citizen who holds a student visa or an exchange visitor visa is not eligible for federal student aid.

**Enrollment Status:** An indication of whether you are a full-time, half-time, or part-time student. In general, you must be enrolled at least half-time in order to qualify for financial aid. Some financial aid programs require you to be enrolled full time.

**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 (FM) formula approved by Congress that uses information provided on the Free Application for Federal Student Aid (FAFSA). The EFC is a student or spouse’s contribution based on factors including family size, number of family members in school, taxable and nontaxable income, and assets. Parental financial information is required for funds authorized by the U.S. Department of Health and Human Services and may be required by some schools for the purpose of determining eligibility for institutional funds. In addition, some schools may use a different methodology when determining eligibility for institutional funds.

**FAFSA:** See Free Application for Federal Student Aid.

**Fees:** Charges assessed by the lender that are usually expressed as a percentage of the principal amount borrowed and deducted from the loan proceeds at disbursement. Fees may be charged for the origination of the loan, as a guarantee against default, and (in the case of some private loans) added to the repayment costs as back-end fees. Fees should be referenced on the disclosure statement.

**Financial Aid Award Letter:** A listing of the financial aid you are eligible for (your financial aid award package) as determined by your school’s Financial Aid Office (FAO). It may be sent electronically or by postal mail, or it may be posted on your FAO’s website (with secure access by a PIN or password). It may also be referred to as a financial aid notification letter.

**Financial Aid Award Package:** Combination of different types of financial aid such as grants, scholarships, and loans as determined by your school’s financial aid office.

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

**Financial Aid Budget:** Total costs associated with attending dental school for a given award year. It usually includes tuition and fees; an allowance for books, supplies, and equipment; and

an allowance for living expenses including health insurance. Each institution develops its own student budget, also known as the cost of attendance (COA).

**Financial Aid Office (FAO):** The office at either the dental school or institution consisting of professionals charged with administering financial aid funds for their students.

**Financial Need:** The difference between the financial aid budget, also known as cost of attendance (COA), and a student’s available resources. Financial need is determined by the FAO and is based on the formula COA minus expected family contribution (EFC).

**Fixed Interest Rate:** An interest rate that does not change throughout the entire life of loan (meaning during school; any grace, deferment, or forbearance periods; and throughout repayment). In general, federal loans such as Stafford, Graduate PLUS, and Perkins loans have fixed interest rates.

**Forbearance:** A period of time during which a borrower may postpone payment on a loan. There are various types of forbearance available on federal loans, including forbearance granted at the lender’s discretion. While similar to deferments as a means for postponing payments, interest accrues on all loans during forbearance, including loans that were previously subsidized. Lenders may capitalize interest more frequently during periods of forbearance, and in the case of private loans may charge a fee to postpone the payment. In addition, borrowers who use forbearance may lose any borrower benefits their lender provides on the loan.

**Free Application for Federal Student Aid (FAFSA):** The form approved by the United States Department of Education and used by students to apply for all federally sponsored student financial aid programs. The form is available at [www.fafsa.ed.gov](http://www.fafsa.ed.gov), and it can be submitted electronically or by mail. Contact your FAO for filing deadlines.

**Grace Period:** A period of time after graduation (or after a borrower drops below half-time status) during which a borrower is not required to begin repaying his or her student loan(s). Grace periods are loan specific, meaning their length depends on the kind of loan, and they are attached to an individual loan. For example, a borrower who has used up a grace period on a pre-dental school loan does not lose any grace period on loans taken out in dental school. Not all loans have grace periods.

**Interest Rate Cap:** Refers to the maximum interest a borrower may be charged over the life of the loan on a variable rate loan (see Variable

Interest Rate). Interest rate caps only apply to variable rate loans, such as private loans, and should be referenced in both the promissory note and disclosure statement. Not all variable rate loans have caps.

**Loan Terms and Conditions:** The conditions of a loan, including requirements governing receipt and repayment. Specifically, loan terms usually refer to the interest rate, fees, and other costs associated with receipt and repayment.

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

**National Student Loan Data System (NSLDS):** Federal repository accessible at [www.nsls.ed.gov](http://www.nsls.ed.gov) that provides a listing of Title IV aid for individual students and borrowers.

**Outside Scholarship:** A scholarship that comes from a source other than the dental school or institution. Usually it is the student's responsibility to secure this type of scholarship.

**Prepayment:** Paying off all or part of a loan before it is due. There is no penalty for prepayment of federal student loans. Borrowers with private loans should check their promissory note or disclosure statement for information regarding prepayment penalties.

**Principal:** The original amount of money borrowed or the outstanding amount immediately following capitalization or any accrued and unpaid interest.

**Private Loans:** Educational loans provided by private lenders and not backed by the federal government. In general, private loans are offered to supplement borrowing through federal loan programs or to replace federal loan programs altogether.

**Promissory Note:** A binding legal document that must be signed by a borrower where he or she agrees to repay the loan according to terms as specified in the document. It must be signed before loan funds can be disbursed by the lender. The promissory note states the terms and conditions of the loan, and it is evidence of the borrower's willingness to repay the debt. Along with disclosure statements, this is a document a borrower should keep. Borrowers are

entitled to the return of the promissory note marked PAID IN FULL once the obligation has been met.

**Repayment Schedule or Repayment Term:** The time frame over which a borrower is required to repay his or her loan (may also be referred to as the amortization schedule). Usually stated in terms of number of monthly payments required with payment amounts, due dates, and terms of the loan listed.

**Satisfactory Academic Progress (SAP):** Required and defined by the school, regarding the academic progress a student must make in order to continue to receive federal financial aid. If a student fails to maintain an academic standing consistent with the dental 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.

**Student Aid Report (SAR):** This report summarizes the information included in the FAFSA and is provided to your school's financial aid office. The SAR will also indicate the expected family contribution (EFC). For information on the SAR, go to [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**Subsidized Loan:** A loan that is interest-free to a borrower during any period in which the borrower is enrolled at least half-time, as well as during periods of grace and deferment for which the borrower may be eligible. Subsidized loans are based, at least in part, on financial need. Examples include federal subsidized Stafford, Federal Perkins, and Health Professions Student Loans (HPSL), and Loans for Disadvantaged Students (LDS).

**Title IV Loans:** Loan programs administered by the United States Department of Education. These include Federal Stafford, Graduate PLUS, Federal Perkins, and Federal Consolidation Loans.

**Title IV School Code:** The numerical code used when completing the FAFSA that indicates which school(s) you want the results sent to.

**Title VII Financial Aid:** Financial aid programs administered by the U.S. Department of Health and Human Services (HHS). These include Health Professions Student Loans (HPSL) and Loans for Disadvantaged Students (LDS).

**Unmet Need:** The difference between your calculated need and the amount of financial aid awarded. Your school's financial aid office may put unsubsidized loans such as Stafford and Graduate PLUS together to meet any unmet need.

**Unsubsidized Loan:** Loans that accrue interest from the date of disbursement, including during school and during periods of grace and deferment for which the borrower may be eligible. Borrowers are responsible for the interest that accrues on unsubsidized loans. Examples include unsubsidized Stafford and Graduate PLUS loans and private loans. Unsubsidized loans are not based on financial need and may be used to cover the family contribution and any unmet need.

**U.S. Department of Education (USDE):** This department administers Title IV federal student financial aid programs, including the federal work-study program, Federal Perkins loans, Federal Stafford loans, Federal Graduate PLUS loans, and Federal Consolidation loans.

**U.S. Department of Health and Human Services (HHS):** This department administers Title VII student financial aid programs, including HPSL and LDS.

**Variable interest:** A loan with an interest rate that changes at designated intervals, sometimes monthly or quarterly. Variable rates often only apply to private loans. Variable rate loans have an index or base such as the prime rate or London Interbank Offered Rate (LIBOR) upon which the actual interest rate is calculated. Most variable rate loans include a spread or additional points that are added to the base rate, the amount of which is based on the lender's terms as well as the credit of the borrower and creditworthy cosigner, when applicable. For example, a variable rate might be expressed as prime plus 3.0% (prime is the index or base and 3.0 is the spread).

**Verification:** A review process in which the financial aid office (FAO) determines the accuracy of the information provided on a student's FAFSA. Contact your school's FAO for information, but should you be selected for verification, you can expect to be asked to provide additional documentation such as copies of tax returns.