

# Managing Your Dental School Debt

The student debt issue has become more challenging over the past decade, with tuitions increasing at an alarming rate. In February 2015, the Federal Reserve Bank of New York released data indicating that student loan debt had reached \$1.16 trillion, with about 11.3 percent of student loan debt delinquent or in default in the fourth quarter of 2014.

An oral health professional's student loan debt affects his or her future practice options, and the growing amount of debt in dentistry affects access to oral health care in underserved areas. The Academy of General Dentistry (AGD) understands that as a new dentist, you may be wondering how you're ever going to pay off your student debt. Read on for advice about options that are available to do so.

## What is the difference between a private and a federal student loan?

Federal student loans are funded by the federal government, whereas private student loans are made by a lender such as a bank, credit union, state agency or a school. Federal student loans include many benefits (such as fixed interest rates and income-driven repayment plans) not typically offered with private loans.

Private loans are generally more expensive than federal student loans. To learn more about the differences between these types of loans, visit <https://studentaid.ed.gov/sa/types/loans/federal-vs-private>.

## What should I know about federal student loan repayment plans?

Repayment plans include a standard repayment plan, a graduate repayment plan, an extended repayment plan, a revised pay-as-you-earn (REPAYE) repayment plan, a pay-as-you-earn (PAYE) repayment plan, an income-based repayment (IBR) plan, an income-contingent repayment (ICR) plan and an income-sensitive repayment plan. For more information about these options, visit <https://studentaid.ed.gov/sa/repay-loans/understand/plans>.

If you have multiple federal student loans, you can consolidate them into a single Direct Consolidation Loan. To learn more about loan consolidation, visit <https://studentaid.ed.gov/sa/repay-loans/consolidation>.



## As a new dentist, what should I know about federal student loan consolidation?

Consolidation is defined as the process of combining one or more loans into a single new loan, according to the U.S. Department of Education. If you do this, you'll have one monthly bill, rather than make multiple payments. Consolidating your loans can:

- Lower your monthly payments by giving you up to 30 years to repay your loans
- Give you access to alternative repayment plans you would not have had before
- Allow you to be able to switch your variable interest rate loans to a fixed interest rate

There are potential downsides to consolidating your student loans:

- You'll make more payments.
- You'll pay more in interest.
- You also may lose any borrower benefits offered with the original loans (for example, rate discounts, principal rebates or some loan cancellation benefits).

Typically, you can consolidate your loans after you graduate, leave school or drop below half-time enrollment.

## Is it possible to consolidate my private student loans?

According to the Consumer Financial Protection Bureau, private consolidation loans combine your existing private student loans into one larger loan, and you will have a single monthly payment. Private student lenders may offer an interest rate reduction.

Like private education loans, private consolidation loans often have variable interest rates, depending on your credit score. The amount of time you have to repay the loan can vary from 10 to 25 years, depending on the lender and the amount of loans being consolidated.

## What is the difference between fixed- and variable-rate financing?

Fixed-rate financing means the interest rate on your loan does not change over the life of your loan. With a fixed rate, you can see your payment for each month and the total you will pay over the life of a loan.

Variable-rate financing is where the interest rate on your loan can change, based on the prime rate or another rate called an "index." With a variable-rate loan, the interest rate on the loan changes as the index rate changes, meaning that it could go up or down. Because your interest rate can go up, your monthly payment can also go up.

## What should I know about forbearance and deferment?

A deferment is a period during which repayment of the principal and interest of your loan is temporarily delayed.

If you can't make your scheduled loan payments, but don't qualify for a deferment, your loan servicer may be able to grant you a forbearance. With forbearance, you may be able to stop making payments or reduce your monthly payment for up to 12 months. Interest will continue to accrue on your subsidized and unsubsidized loans (including all PLUS loans).

There are two types of forbearances: discretionary and mandatory. You can request a discretionary forbearance for financial hardship and illness, among other reasons. If you are serving in a medical or dental internship or residency program, and you may meet specific requirements for mandatory forbearance. To learn more, visit <https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance>.

## What should I know about national and state loan forgiveness and repayment programs?

There are loan forgiveness programs for dentists and dental hygienists in all 50 states, the District of Columbia and Puerto Rico, which offer graduates the opportunity to work in military service or for a government agency in exchange for the repayment of their student loans. Programs are available for partial or full-loan balances. Check with your state to see what options may be available to you.

## What should I know about refinancing my student loans?

When you opt to refinance your student loans, you will work with a private lender who potentially will offer you a lower interest rate. In this case, the private lender would pay off your federal loans, and you would owe the private lender (not the government) money.

## What student debt resources are available to me through AGD?

AGD provides its members student loan refinancing options through Earnest, an AGD Member Savings & Offers program provider. Earnest offers members a program that will allow refinancers to choose flexible terms that fit their budget and timeline. With a merit-based rate system rather than a simple credit check, the Earnest model can save new graduates thousands of dollars. Visit [www.earnest.com/agd](http://www.earnest.com/agd) to find out more information and receive a two-minute rate check.

AGD also offers its members online access to the second edition of "You've Graduated, Now What? A Guide to Navigating Those First Years in the Dental Profession." This second edition offers information on financial planning and more. To access it, visit [www.agd.org/publications-media/publications/youve-graduated-online-book.aspx](http://www.agd.org/publications-media/publications/youve-graduated-online-book.aspx).

Sources: American Dental Education Association, Consumer Financial Protection Bureau and U.S. Department of Education



560 W. Lake St.  
Sixth Floor  
Chicago, IL USA  
60661-6600