



Debt 101



A resource to help students expand their knowledge about debt, recognize their options and prepare them to make smart financial decisions for their future

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Introduction

Student debt has become a forefront issue in this country as the cost of education is on the rise with no signs of slowing. It has become essential for students entering repayment to be diligent financial managers.

The websites, applications and businesses referenced in this guide are not endorsed by ASDA and were suggested by dental students on ASDA's 2013-14 Council on Membership who have utilized the resources themselves.

What should I be doing now?

The biggest mistake people make is not budgeting. Set financial goals and budgets to make positive changes. The debt you take on while in dental school will impact your professional career. Making smart financial decisions throughout school and properly preparing to take on your debt at graduation are necessary to prevent financial constraints limit your decisions when you finish school.

Budgeting

Below are simple tips to follow when budgeting:

1. Limit spending
 - Remind yourself that you are a student and not a successful dentist yet.
 - Try to find people with similar spending habits to go out with.
 - Use coupons. Before making any large purchases, a quick search for discounts on the internet could help you save.
2. Put yourself on a budget
 - Apps such as "mint" or using mint.com combine all of your accounts in one area and make it easy to analyze your spending habits. In addition this app makes it easy to set alerts once you've reached your budget in a certain category.
 - You Need a Budget (YNAB) or www.youneedabudget.com is an additional program that can be very useful. It allows you to more easily account for that \$100 birthday check and put it towards a purpose.
3. Build your credit
 - You can obtain a free credit report yearly from each of the three credit agencies (Equifax, Experian and TransUnion) to ensure that there is no fraud under your name and your accounts are all current.
 - A free credit report can be attained yearly and is available at Annualcreditreport.com. Check once every four months to stay on top of potential errors.
 - Get advice on how to build your credit and learn what affects your credit with Credit Karma (www.creditkarma.com).

4. Maximize what you already spend
 - Nerd Wallet (www.nerdwallet.com) is a great resource that explains how to pick the best credit cards based on what you already purchase.
 - Track possible tax deductions.

Scholarships and Repayment Options

ASDA lists individual scholarship programs and grants on ASDAnet.org/paying-for-dental-school/scholarships.aspx. You can also visit ASDA's website for details about national scholarships that require some form of repayment through a specified form of service.

Financial Aid

Apply yearly to Free Application for Federal Student Aid (FAFSA). You may already familiar with this process. Don't forget to fill out FAFSA every year to receive loans at www.nasfaa.org/students/About_Financial_Aid.aspx. The FAFSA due dates differ by state. When applying, pay attention to your school deadlines as they may require you to complete your FAFSA at an earlier date than the state deadline. State financial aid programs are available from the National Association of Student Financial Aid Administrators (NASFAA) at www.nasfaa.org/students/State_Financial_Aid_Programs.aspx. Contact the financial aid representative at your school for further assistance.

The U.S. Department of Education launched FinancialAidToolkit.ed.gov, a searchable, online database that consolidates financial aid resources and content in one spot on the web. It is designed to help school guidance counselors and other professionals navigate the complicated area of financial aid and provide better support to students.

Calculating Your Debt

Unless you have private loans, most student loans are backed by the government and will be detailed in the National Student Loan Data System (NSLDS). NSLDS is the U.S. Department of Education's central database for student aid. It receives data from schools, agencies that guaranty loans, the Direct Loan program and other U.S. Department of Education programs. NSLDS provides a centralized, integrated view of Title IV loans and grants that are tracked through their entire cycle; from aid approval through closure. The U.S. government has hired loan-servicing agencies to manage them during your time in school and when you begin repayment. This includes all graduate loans and undergraduate loans, if they were taken out for different schools.

To access your loan information, you will you need:

- Your 4-digit PIN number, which is also used to complete FAFSA paperwork
- Social security number

To get started, log on to the National Student Loan Data System at www.nsls.ed.gov/nsls_SA/. Choose Financial Aid Review, input your personal information and hit continue. You will find your financial aid summary. Things to keep in mind as you review your summary:

- Enrollment status and its posted date is located in the top right corner.
 - Most loans have a 6-month grace period after you exit full-time or part-time status before the first bill comes. Make sure you keep this up to date.
 - Be sure that the effective date of your enrollment status is correct to avoid getting bills for your loans while still a full time student.
- Each loan displays the type, amount, date it was issued and the current interest cost.
- For more information about any individual loan, click on the blue number found in the left most column in the chart.
 - On this page, you can easily find the interest rate and the loan servicer for each loan.
 - You can contact each loan servicer directly with discrepancies or for more information.
 - Many loan servicers have applications to help students manage their debt like Nelnets Loan Assistant, Loan Calculator and Greatlakes. Search the app store with your loan servicers name to find one that will benefit you.

**Loan Interest Rates by Disbursement Dates
(provided by studentaid.gov)**

Loan Type	First disbursed between 7/1/13 and 6/30/14
Direct Subsidized Loans (undergraduate students)	Fixed at 3.86%
Direct Unsubsidized Loans (undergraduate students)	Fixed at 3.86%
Direct Unsubsidized loans (Graduate or Professional Students)	Fixed at 5.41%
Direct PLUS loans (Parents and Graduate or Professional Students)	Fixed at 6.41%
Perkins Loans (Undergraduate and Graduate or Professional Students)	Fixed at 5%

Loan Interest Rates by Disbursement Date

Loan Type	First Disbursed Between July 1, 1998, and June 30, 2006	First Disbursed between July 1, 2006, and June 30, 2013
Direct Subsidized Loans and Subsidized Federal Stafford Loans (Undergraduate Students)	The interest rate is variable (adjusted annually on July 1) and will not exceed 8.25%. Between 7/1/13 and 6/30/14, loans in repayment or forbearance have an interest rate of 2.35%, and loans in an in-school, grace, or deferment period have a lower rate of 1.75%	7/1/06 – 6/30/08: Fixed at 6.8% 7/1/08-6/30/09: Fixed at 6.0% 7/1/09-6/30/10: Fixed at 5.6% 7/1/10-6/30/13 fixed at 3.4%
Direct Subsidized Loans and Subsidized Federal Stafford Loans (Graduate Students)	The interest rate is variable (adjusted annually on July 1) and will not exceed 9.0% Between 7/1/13 and 6/30/14, the interest rate on these loans is 3.15%	Fixed at 6.8%
Direct Unsubsidized Loans and Unsubsidized Federal Stafford Loans (Undergraduate, Graduate or Professional Students)		
Direct PLUS Loans (Parents and Graduate or Professional Students)	The interest rate is variable (adjusted annually on July 1) and will not exceed 9.0% Between 7/1/13 and 6/30/14, the interest rate on these loans is 3.15%	Fixed at 7.9%
FFEL PLUS Loans (Parents and Graduate or Professional Students)		Fixed at 8.5%

How can I prepare?

The first step is to understand the vocabulary related to financial management. ASDA offers a glossary of terms at ASDAnet.org/paying-for-dental-school/financial-terms.aspx for common terms such as accrued interest, loan repayment, forbearance, deferment, repayment, etc.

Become Knowledgeable About Your Debt

Stay on top of your debt to ensure that you are prepared when the first bill comes and you never miss a payment. Complete the chart below based on your personal loans and have it on hand.

Loan Servicer	Contact	Balance	Interest Rate	Repayment terms and status	Grace Period
Nelnet	800-473-2233	15,000	8.6%		6 months after graduation

Be upfront with your loan servicers and let them know if you are unable to make a payment. Loan servicers are often more forgiving if you tell them before the payment is due. It is important to know which loans have the highest interest rates, as you will want to pay these off first to avoid accruing a lot in interest. Late payments and non-payments will affect your credit score, which is the single most important factor considered by lenders when deciding to approve you for a loan for a home, car, practice purchase, etc. Make sure the grace period is up to date. Most loan servicers require statements of full-time student status to push back the date of the first payments. This may require you to send statements yearly.

Repayment Plan Options

You will have a few payment options to choose from when you enter repayment. The American Dental Education Association (ADEA) in a partnership with the AAMC created the Dental Loan Organizer and Calculator. This program was designed for dental and medical students and is very easy to set up. To get started:

- Visit the website: www.aamc.org/services/first/godental/.
- Follow the instructions to create a user name and password.
- Download your loan information from the National Student Loan Data System (www.nsls.ed.gov/nsls_SA/) discussed earlier in this guide.
 - Download your loan data information.
 - Import this file to the ADEA Dental Loan Organizer (recommended) or manually input each loan.
- Create the chart above for your debt. Under the organizer tab, you can sort your loans by year or by type.
- The loan calculator tab allows you to explore your options for loan payback and see what would fit your lifestyle best.
 - Calculates estimated monthly payments, percentage of total salary and final total repayment for each program.

For more information about any of the options listed below and the qualifying terms for each of the loan repayment programs, visit studentaid.ed.gov at <http://studentaid.ed.gov/repay-loans/understand/plans#consolidate>.

- Standard repayment
 - A ten-year repayment program where you will end up paying less for the overall loan amount because you will pay less interest over time.
- Graduated repayment
 - Also a ten-year repayment program, but the initial payments are lower at first and gradually increase every two years. In the end, you will end up paying slightly more than the standard plan due to interest accrued during the low payment years.
- Extended repayment
 - Payments are spread across more years. This will knock down your monthly contribution, but increase the overall cost of the loans due to the time the interest is allowed to accrue.
- Income based repayment
 - Focused for those that demonstrate a partial financial hardship (those with a large amount of debt and little income). The monthly payments for loans under this program will be calculated based on income so that the payments are at an affordable level. After 25 years of on-time payments in this program, the rest of the debt may be forgiven, but be careful about income level requirements in the year of scheduled forgiveness. In the event that the debt is forgiven, the amount forgiven will count as taxable income. This payment plan might be a good choice for residents or new dentists. There are certain requirements to qualify for this plan which can be found at studentaid.ed.gov.
- Pay as you earn
 - A very similar program to income-based repayment except the monthly payments are slightly lower, the overall loan forgiveness comes faster, but qualifying for the program is stricter. To see how to qualify for this program, visit studentaid.ed.gov.

Save for residency applications and licensure exams

The cost of residency applications will depend on how many programs you apply to, where you get interviews and what specialties you apply to. MATCH is how you rank your choices of residencies you would like to attend and PASS is used for most residencies to submit your applications, transcripts and letters of recommendation.

Below is a breakdown of residency application costs:

- MATCH: approx. \$90 to register
- PASS: Depends on the # of schools applying to
 - \$200 for the first school
 - Less \$ for each school afterwards
 - 10 applications ~ \$900

It's really exciting to get interviews for the residencies you applied for, but make sure you budget accordingly so that you can afford to attend the ones you want. For local interviews, budget approximately \$50-100 per location to include: transportation, parking and some locations may ask you to join for dinner or drinks following the interview. For long distant interviews, budget approximately \$1,000 per location to include: airfare/transportation, hotel, food and other travel expenses.

Licensure costs

The first step to obtaining licensure is passing the National Board of Dental Examinations (NBDE) Part I and II. The cost is approximately \$400 per exam.

Taking the licensure exams and applying for licensure can be quite a costly endeavor. Because dentists are licensed by the state, each state has different requirements. If you are unfamiliar with which exam or licensure method you should prepare for visit, go to ASDAnet.org/licensure to find out what exam is required in each state.

Usually these exams are given within your dental school. If you want to take an exam in another region of the country, you may need to make other arrangements. When budgeting for each exam, be sure to set aside money to retake part of the exam if needed, as well as any other associated expenses like paying your assistant.

While in the hot seat

Timely Payments and Forbearance

During repayment, it is extremely important to make timely payments on your loans. Paying back your loan on time can boost your credit score and demonstrate that you are a reliable individual to provide a loan to in the future. Having a financial history of loans repaid on time with no missed payments will boost your score more than not taking loans.

In the event that you are unable to make a timely payment, contact your loan servicer right away. Maintain a positive relationship with your loan servicer and always keep your contact information up to date. Not being responsible with your loans can be detrimental to your financial future and make it difficult to find a good loan in the future. Each loan servicer will be able to offer different options based on where you are in your loan repayment, and how much you are able to contribute to avoid being labeled as a delinquent on your loans. Work with the loan servicer before the bill comes.

Consider a Financial Advisor

During and after the term of your loan repayment, you will have to make difficult financial decisions, which could result in the difference of thousands of dollars. Choosing to hire a good financial advisor can make a difference. Most dental students do not get an extensive education in managing finances so turning to an expert for the following decisions can be beneficial.

Investments

Depending on your personal financial situation after graduation, it may be better to invest a portion of your income rather than putting it all towards paying down your loans. Familiarize yourself with investment options and retirement plans. Also consider your long-term large investments such as a car, home, practice, equipment, etc. Unfortunately, it is not as simple as comparing interest rates. Other variables have to be considered like taxes and overall income. When you pull money out of investments, such as a retirement plan, you could be taxed on that money as income plus penalties assessed for taking money out before retirement age.

Buying a practice

When considering a large financial commitment such as buying a practice, a financial or tax advisor can help you evaluate the purchase. As a practice owner, you will be responsible for making payments on the facility as well as writing your employees' paychecks. Make sure it's a smart investment before you sign your name on the line. You will want to work with an advisor who focuses on the dental industry and will also need to work with a qualified attorney.

Track your tax deductions

What can you write off? A financial planner will help make sure you are maximizing your money by taking advantage of all tax deductions and credits you are eligible for.

Finding your financial advisor

Look for a certified public accountant who works exclusively with dental professionals. You want someone who is familiar with where you are at and where you could go. Do some research with the Financial Planning Association (FPA) or check the Academy of Dental CPAs at www.adcpa.org. Consult with your local ADA component society and ask for suggestions. Find an advisor who will listen to your goals and work with you to create a plan together. Make sure that you both are on the same page as far as ideal outcomes.

If you want to have someone come to your school to speak more about financial management, talk to your chapter's fundraising or vendor fair chair to find contacts of local financial companies. You can also contact ASDA's Senior Manager, Corporate Relations Bart Lewin at Barton@ASDAnet.org to get information on financial vendors who have sponsored and exhibited at national events.

Post-graduate Options

Each practice option has its positives and negatives that should be considered to determine what will meet your goals and fit your lifestyle. Utilize the following list when deciding which option is best for you.

- Sit down and write out your short, middle and long-term goals. Where do you see yourself in 5, 10 and 20 years?
- Consider each of your options and what they offer. Compile a list of positives and negatives for each option. Compare your goals sheet to your options and decide what aligns best to help you achieve your goals.

- Opportunities to learn
- Access to new equipment
- Mentorship
- Finances and benefits
- Associate with intention to buy
- Positive working environment
- When you interview for a job, remember that you are interviewing them for a good fit as well. Ask many questions! This is an important decision and you want to make sure it is right for you. Remember that it takes years to build your reputation and only minutes to destroy it. If at any point you are uncomfortable, do something about it.
- The job you take doesn't have to be the perfect situation. It has to be a stepping-stone towards your final goal, which does not force you to compromise your ethics.

Utilize the Tripartite

Being a part of organized dentistry gives you a network of peers to reach out to. Although you may work in an office alone or with a handful of colleagues, the ADA and state and local dental associations have many dentists that are willing to help you. Many have been in your shoes and can offer advice so that you can learn from their mistakes.

The ADA developed the Center for Professional Success (<http://success.ada.org>) for dentists who are seeking resources that will help them succeed as practitioners and small business owners. The website includes everything from tips for choosing a career path to balancing personal and professional lives to planning for retirement. Other features include financial calculators to factor loan payments and overhead expenditures; in-person and online practice management education; patient communication strategies; and information on buying and selling a practice. For financial information, go to the orange "live" tab. Find business-planning calculators, including loan term and payment calculators on the left hand side menu bar.

Find a mentor who you can turn to for advice. Mentors may change from time to time based on your needs and your goals. Don't be afraid to have many mentors whom you can turn to when you need them. To find a mentor, go to your local component or state dental society, a faculty member at your school or alumni from your dental school or ASDA.

ASDA Resources

In addition to this guide, ASDA offers the following financial management tools and resources for members:

- Mouthing Off blog featured posts – "[Money Monday](#)"
- [Summer 2012 Mouth](#) – the "Money" issue
- [Personal finance articles](#) from ASDA publications
- List of [scholarships and grants](#)
- ASDA's [Guide to Getting through Dental School](#) handbook
- [Bank of America ASDA credit card](#) with cash rewards and no annual fee

ASDA considers the growing student debt crisis a top priority and advocates for financially sustainable, long-term solutions. ASDA's stance on debt can be found at ASDAnet.org/debt.aspx. Members can utilize [Engage](#), ASDA's grassroots advocacy tool, to stay informed on issues related to student debt and to contact legislators on bills affecting the dental education.

[Download a copy of the dental student debt infographic.](#)

