

Student Loan Programs under the Higher Education Act

The American Dental Association (ADA) and the American Student Dental Association (ASDA) support the following principles when reauthorizing the federal student loan programs under the Higher Education Act of 1965.

- Lower the interest rates on federal Direct Unsubsidized Stafford Loans, as well as the total amount of interest that can accrue on federal graduate student loans.
- Reinstate eligibility for graduate and professional degree students to use federal Direct *Subsidized* Stafford Loans to finance their graduate education.
- Permit federal graduate student loans to be refinanced more than once to take advantage of lower interest rates and better economic conditions.
- Extend the period of deferment for repaying federal graduate student loans to the maximum extent practicable.
- Simplify and add more transparency to the federal graduate student loan application process.
- Remove the barriers that prohibit those with private graduate student loans from taking advantage of federal student loan forgiveness/service payback programs.

New dentists are entering the workforce with alarming levels of educational debt. In 2016, the average educational debt per graduating dental school senior was \$219,463.ⁱ Factoring out the 16.3 percent of dental school seniors who graduated with no debt, the average debt per graduating dental school senior was \$262,119 (\$238,582 for graduates from public dental schools and \$291,668 for graduates from private and private state-related dental schools).^{ii,iii}

Most dental students rely on federal student loans to finance their dental education. In 2016, nearly 70 percent (68.2) of graduating dental students reported using Direct Unsubsidized Stafford Loans (Direct Loans) to pay for dental school and, to a lesser extent, Federal Grad PLUS Loans (61.8 percent).^{iv}

While the interest rates and repayment terms for federal student loans are generally more favorable than private sector loans, the borrowing terms are still daunting. For example, the interest rate on Direct Loans taken out on or after July 1, 2013, could reach as high as 9.5 percent, depending on the prevailing interest on 10-year Treasury notes plus 3.6 percent.^{v,vi}

Reducing the excessive burden of educational debt will make banks more open to loaning start-up funds for new dentists to open a dental practice. It will also remove barriers for those wanting to pursue careers in public service, teaching, research and administration.

The ADA and ASDA support the above named principles when reauthorizing the federal student loan programs under the Higher Education Act of 1965.

Information

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Source: Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class

ⁱ Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 14. Average amount of educational indebtedness* of graduating dental students by all schools combined and by type of school, 1990 and 1996-2016.

ⁱⁱ Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 17. Level of seniors' educational debt* by type of school, 2016.

ⁱⁱⁱ Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 18. Average graduating educational debt* of 1996–2016 graduates with debt, by type of school.

^{iv} Annual ADEA Survey of Dental School Seniors, 2016 Graduating Class: Table 14. Type of loans reported by seniors, by percentage of total 2016 respondents.

^v 20 U.S.C. § 1087e.

^{vi} The interest rate on Direct Loans taken out between July 1, 2006 and June 30, 2013, is fixed by law at 6.8 percent.