



In Class Exercises (ICE) - 2/26/01

How much does professional school really cost? Professional schools publish their tuition and fees but students often have to take out loans to cover these costs. Lenders charge interest, and interest means higher costs. Figure 1 shows some entries from a spreadsheet program. The numbers in the spreadsheet show the costs¹ of enrollment in the Doctor of Dental Medicine program at Boston University².

	A	B	C	D	E	F
1	Item	First Year	Second Year	Third Year	Fourth Year	
2						
3	Tuition	35400	38123	41055	44214	
4	Clinical Fees	760	890	985	950	
5	Library Fee	1500	1500	1500	1500	
6	Instrument Fee	4168	3470	0	0	
7	Computer Fee	2842	0	0	0	
8	Graduate Fee	105	109	115	120	
9						

Figure 1: Projections of Professional School Costs.

- **Suppose that you had the financial resources to pay for the costs of attending professional school without any loans. How much would this cost you?**

- **A more financially sound route to paying your costs would be to invest your money so that you will have enough to pay your bills when they are due. Assume that tuition and fees are due at the beginning of each academic year, and that you can get a guaranteed annual return of 4.25%³. About how much money do you need?**

¹ The costs given for the first year are the actual costs published by Boston University for the 2000/2001 academic year. The costs for the second through fourth years are projections based on the average cost of tuition at a four year college (1971-1999). (Source: The College Board.)

² Source: <http://www.bu.edu/bulletins/sdm/item08/>

³ This figure is the annual percentage yield for a 1 year CD on 2/26/01. (Source: www.citizensbank.com)

One of the financial aid packages available to some students in the Doctor of Dental Medicine program at Boston University is the Spencer N. Frankl Student Loan⁴. The description of this fund is:

“Loans from this fund charge no interest while a student is in school and for one year after graduation. The interest rate during repayment is 7 percent and repayments extends to ten years, with minimum payments of \$50 per month.” (Boston University School of Dental Medicine Bulletin, 2000/2001.)

- **Suppose that you had to take out loans like this to cover all of your tuition and fees during all four years of professional school. Use the table given below to work out your monthly payment if you take the entire ten years to pay the loans back. (Assume that interest is compounded monthly.)**

Year	Amount you still owe (\$)
Graduation	
One year after graduation	
13 months after graduation	
14 months after graduation	
15 months after graduation	

Table 1: Use this table to work out how much you still owe after you graduate.

- **As you can imagine, loans that do not charge interest while you are in school present considerable financial advantages. Suppose that you were not so lucky, and could only get a loan that did not require repayments while you were still in school, but still charged interest. How much would your monthly payment be under these circumstances?**

⁴ See: <http://www.bu.edu/bulletins/sdm/> for a complete, up-to-date description.