



ASSOCIATION OF
AMERICAN
MEDICAL COLLEGES

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Jordan J. Cohen, M.D., President

February 28, 2003

Jeffrey R. Andrade
Deputy Assistant Secretary for Policy, Planning and Innovation
Office of Postsecondary Education
1990 K Street, NW, Room 8046
Washington, DC 20006

ATTENTION: HEA Reauthorization

Dear Mr. Andrade:

On behalf of the Association of American Medical Colleges (AAMC), I am pleased to submit for your review several recommendations we hope you will consider during the Higher Education Act reauthorization process. The AAMC represents the nation's 126 accredited allopathic medical schools, over 400 major teaching hospitals and health systems, 92 academic and scientific societies representing over 87,000 faculty, and the nation's medical students and residents.

The AAMC is also participating in the education community task forces being coordinated by the American Council on Education, and has endorsed the recommendations that result from those deliberations. The following recommendations address several issues that we wish to stress or that are unique to medical education.

Loan Limits

We believe that the annual loan limits on federal Stafford loans should be increased. Loan limits were not increased in the last reauthorization and have not increased since 1992. As the cost of education has increased since that time, we urge the Congress to consider increasing at least the subsidized Stafford Loan limits to keep pace with inflation. In addition, there is mounting evidence that suggests students, especially medical students, are borrowing increasing amounts of money from private sources.

Congress recognized the inherent increased costs associated with specialized training – such as a health professions education – during the phase-out of the Health Education Assistance Loan (HEAL) loan program. However, even with \$38,500 (\$8,500 subsidized, up to \$30,000 unsubsidized) of borrowing potential each year, many medical students are unable to cover the costs of attendance with federal loans. The average cost of attendance for a medical student in the 2001-02 academic year was \$27,513 at a public medical school, and \$43,786 at a private institution.

Although default data is not broken out by discipline, the history of the HEAL program and additional anecdotal evidence indicate that physicians have below-average default rates, and therefore are able to manage high debt levels. Keeping the costs of a medical education down by limiting exposure to private loans, and increasing the portion of their loan portfolio comprised of subsidized loans will help medical students choose a specialty driven by their education and experiences rather than by the amounts of their educational loan liabilities.

Economic Hardship Deferment

Because of their high debt-to-income ratio, many health professions borrowers are eligible to defer repayment of their federal student loans during their residency training programs through the economic hardship deferment. However, many residency training programs are longer than the three years for which the economic hardship deferment is available. While lenders are required to offer forbearance to medical residents throughout their required training, this can be a very expensive option for the borrower because interest continues to accrue and may be capitalized. Even using the current low interest rates, for a borrower with \$100,000 in education debt (the median for all medical schools), the estimated required monthly payment of \$1,170 represents a significant burden to medical residents living on an average stipend of approximately \$38,000.

The AAMC supports extending the economic hardship deferment to the length of “a medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service, or for the length of time they are in a medical or dental internship or residency leading to a degree or certificate awarded by a hospital or health care facility which offers postgraduate training.” This would make the economic hardship consistent with the current guidelines regulating mandatory forbearance for medical residents, and remove one obstacle facing borrowers who elect to train for lengthy residency training periods.

The AAMC also urges Congress to include all educational loans, including private or alternative loans as well as institutional loans, in the calculation for determining eligibility for the economic hardship deferment. Additionally, we support clarification that lenders should use the maximum interest rate in the calculation to determine eligibility for the economic hardship deferment. This will not only increase the number of borrowers eligible for the deferment, but also improve parity and consistency within and between the FFEL and DL programs.

Access to FAFSA Data

The AAMC administers a Fee Assistance Program (FAP), which grants a reduced MCAT fee for two MCAT administrations in one calendar year and 10 free AMCAS (the common application service for medical schools) applications to students who exhibit extreme financial need. The collection and verification of income data are very labor-intensive processes. The AAMC would like to be eligible to receive the scores that result from the existing federal FAFSA process that collects these data and

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condenses it to a single number. Under current law, only institutions of higher education, guaranty agencies, and States are able to receive the FAFSA data. The use of these data would result in more timely responses to students making fee assistance applications. The AAMC recommends language be added to the relevant provision allowing “non-profit organizations providing financial assistance with admissions testing and school application costs” to be included as eligible recipients of the data.

We look forward to working with you on this reauthorization. If you have any questions, please contact Jonathan Fishburn on my staff at <jfishburn@aamc.org> or 202-828-0525.

Sincerely,

Jordan J. Cohen, M.D.