



January 5, 2007

The Honorable George Miller
Chairman
Committee on Education and the Workforce
2205 Rayburn House Office Building
United States House of Representatives
Washington, D.C. 20515

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Darrell G. Kirch, M.D.
President

Dear Mr. Chairman:

On behalf of the Association of American Medical Colleges (AAMC), I am pleased to submit several recommendations we hope you will consider while reauthorizing the Higher Education Act during the 110th Congress. The AAMC is a nonprofit association representing all 125 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems, including 68 Department of Veterans Affairs medical centers; and 96 academic and scientific societies. Through these institutions and organizations, the AAMC represents 109,000 faculty members, 67,000 medical students, and 104,000 resident physicians.

Medical students tend to borrow significantly higher amounts than other cohorts of borrowers, based upon requirements of a medical education. In 2006, the average educational debt of medical school graduates was \$130,571, an 8.5 percent increase over 2005. The AAMC believes it is necessary to provide affordable options for the nation's neediest students and to create a repayment system that allows the nation's next generation of physicians to complete their training without undue concern and preoccupation about their substantial debt.

In light of these current trends in financing medical education, the AAMC recommends:

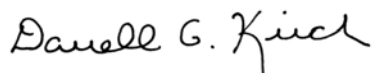
- ▶ **Increasing the annual subsidized Stafford loan limits for graduate and professional students and the corresponding aggregate Stafford loan limits-** With the high debt levels of medical school graduates, many medical students come up against the annual and even the aggregate limits for federal Stafford education loans. The current limits have not been raised in over a decade and have failed to keep pace with the cost of inflation. The AAMC recommends increasing the current annual subsidized Stafford loan limit for graduate and professional students from \$8,500 to at least \$12,000. Accordingly, the AAMC also recommends increasing the aggregate subsidized Stafford loan limit for graduate and professional students from \$65,000 to at least \$89,000;
- ▶ **Expanding need-based scholarships and loan repayment and forgiveness programs-** The well-being of an increasingly diverse society depends upon the education and training of a diverse medical workforce. To ensure that medical education remains a viable option for our best and brightest students regardless of their financial position, the AAMC recommends expanding need-based financial aid

options. The final report of the Secretary of Education's Committee on the Future of Higher Education echoes this recommendation;

- ▶ **Extending the Economic Hardship Deferment (HRD) to include the duration of medical residencies or fellowships-** Many medical residencies are longer than the three years currently covered by HRD, some lasting as long as eight years. In their fourth post-graduate year, resident physicians are forced to make loan repayments that average close to 40 percent of their monthly income. This level of repayment is a substantial burden and forbearance is an expensive alternative as interest continues to accrue and capitalize on outstanding loans. Extending HRD for medical residents who continue to meet the qualifying debt-to-income ratio will postpone repayment for the most needy residents until a more reasonable point in their careers; and
- ▶ **Increasing the deductibility of interest on educational loans and excluding awards from taxable income-** To make medical education more affordable for all Americans, the AAMC supports eliminating the current \$2,500 deduction limit of interest paid on qualified student loans. Similarly, the AAMC has also endorsed legislation that would exclude amounts received as part of a scholarship, fellowship or grant from taxable income if used for qualified higher education expenses.

We encourage leaders in the House and Senate to respond to these concerns about rising levels of medical educational debt. The AAMC supports the development of a physician workforce capable of caring optimally for our increasingly diverse population. In the face of a looming physician shortage, the aforementioned changes are crucial to ensuring an appropriate supply of well-educated and trained physicians to provide quality health care for all Americans. We look forward to working with you this year on the reauthorization of the Higher Education Act. If you have any questions, please contact Matthew Shick on my staff at <mshick@aamc.org> or 202-828-0525.

Sincerely,



Darrell G. Kirch, M.D.