



July 11, 2007

**Association of
American Medical Colleges**
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The Honorable George Miller
Chairman
Committee on Education and Labor
2181 Rayburn House Office Building
United States House of Representatives
Washington, D.C. 20515

Darrell G. Kirch, M.D.
President

Dear Mr. Chairman:

On behalf of the Association of American Medical Colleges (AAMC), I write in regard to the House and Senate Higher Education Act (HEA) reauthorization packages in 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, 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. The AAMC and the American Medical Association (AMA) jointly sponsor the Liaison Committee on Medical Education (LCME), which is recognized by the U.S. Department of Education as the accrediting authority for educational programs leading to the M.D. degree in U.S. medical schools. The AAMC also sponsors MEDLOANS®, an educational loan program specifically designed for medical students.

Medical students tend to borrow significantly higher amounts than other categories of student borrowers based upon the 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 loan options for the nation's medical students and to create a repayment system that allows the next generation of physicians to complete their training without undue concern and preoccupation about their substantial debt.

Economic Hardship Deferment

The AAMC strongly supports the full elimination of the three-year limit on the Economic Hardship Deferment as proposed in the "College Cost Reduction Act of 2007" (H.R. 2669). The Senate proposal would only expand the three-year limit to six years. Many medical residencies are longer than the three years currently covered by the economic hardship deferment, with 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. In their sixth post-graduate year, this figure jumps to 45 percent and reaches almost 50 percent of their monthly income by their eighth post-graduate year. This level of repayment is a substantial burden, and forbearance is an expensive alternative as interest continues to accrue and capitalize on outstanding loans. H.R. 2669 would allow future

physicians to defer repayment of their student loans throughout the duration of their medical training, allowing them to postpone these significant expenses. ***The AAMC recommends adoption of the House language to remove the three-year limit on the Economic Hardship Deferment in the final HEA reauthorization package.***

Stafford Loan Limits

H.R. 2669 increases the aggregate (graduate and undergraduate) subsidized Stafford loan limit for graduate/professional students from \$65,500 to \$73,000 to accommodate the proposed increases in the bill for undergraduate annual loan limits. The AAMC supports the adoption of this provision in the final HEA reauthorization package. The AAMC also recommends increasing the annual subsidized Stafford loan limit for graduate/professional students from \$8,500 to \$12,000, with comparable increases in the aggregate loan limits.

The AAMC believes congressional direction is needed to instruct the Secretary of Education to adjust the current aggregate combined (subsidized and unsubsidized) Stafford loan limit for health professions students. Under authority provided by the HEA¹, the Secretary in 1996 increased the annual unsubsidized Stafford loan limits for certain health professions previously eligible for the discontinued Health Education Assistance Loan (HEAL)². The HEA mandates that the Secretary prescribe in regulation the aggregate combined Stafford loan limits based on the aggregate subsidized Stafford loan limits, adjusted to reflect the annual unsubsidized Stafford loan limits.³ However, the aggregate unsubsidized Stafford loan limit for health professions students has not been changed in over a decade, does not account for recent annual increases or reflect programs of different duration, and is not defined in regulation.

The “Deficit Reduction Act of 2005” (DRA)⁴ increased the annual unsubsidized Stafford loan limit for graduate/professional students from \$10,000 to \$12,000 (effective July 1, 2007). This increases the annual combined Stafford loan limit from \$18,500 to \$20,500. Medical students in 9 month and 12 month programs are eligible for an additional \$20,000 and \$26,667 per year, respectively. The current aggregate combined Stafford loan limit for health professions is \$189,125⁵. The justification for this figure is defined in the Federal Student Aid (FSA) handbook as:

This increased aggregate loan limit would permit a student to receive the current maximum Stafford annual loan limits for four years of undergraduate study (\$6,625 + \$7,500 + \$10,500 + \$10,500) and four years of graduate/professional study (\$18,500 x 4), plus the maximum increased unsubsidized loan limit for an academic year covering nine months for four years of graduate/professional study (\$20,000 x 4).

However, this amount does not reflect the increased annual unsubsidized loan limits mandated by the DRA or the annual increases allowed for health professions students in 12 month programs.

¹ 20 USC 1078-8(d)(2)

² Dear Colleague Letter GEN-96-14

³ 20 USC 1078-8(d)(3)

⁴ Public Law 109-171

⁵ Dear Colleague Letter GEN-97-14

As mandated by the HEA and in accordance with the Department of Education's current definition, the AAMC believes the Secretary must adjust the aggregate combined Stafford loan limit for health professions to reflect the annual unsubsidized loan limits as follows:

(\$6,625 + \$7,500 + \$10,500 + \$10,500) undergraduate annual combined
+ (\$20,500 x 4) graduate/professional annual combined
+ (\$26,667 x 4) health professions annual unsubsidized increase for 12 month programs
\$223,793 aggregate combined Stafford loan limit for health professions

The AAMC recommends Congress direct the Secretary to define the aggregate combined Stafford loan limit for health professions students in regulation and increase the amount to account for the annual loan limit for 12 month programs and for increases in the aggregate combined Stafford loan limits (in the DRA and in the current reauthorization packages).

Student Loan Oversight

The AAMC supports full transparency in medical school's lender relationships. To that end, the AAMC recommends adoption of the student loan oversight language in the Senate reauthorization package, the "Higher Education Amendments of 2007" (S. 1642). We are particularly concerned with provisions of the House-passed "Student Loan Sunshine Act" (H.R. 890) that could hurt the quality of student loans. H.R. 890 prohibits financial aid officers (FAOs) from participating on lender advisory boards. The AAMC strongly supports the Senate language in S. 1642 (Sec. 480) that would allow FAOs to participate on these panels with reimbursement for domestic travel and "reasonable expenses" incurred. As professional educators, FAOs possess the experience and understanding necessary to represent student interests on lender advisory boards. Their active participation on these panels should not only be allowed, but encouraged to ensure student loans carry the best possible terms and benefits. Appropriate reimbursement will make certain that advisory boards represent a broad range of institutions, including those that can not afford the operating budget necessary to participate. ***The AAMC opposes the House language that would prohibit financial aid administrators from participating on lender advisory boards. The AAMC encourages the reimbursement of domestic travel and "reasonable expenses" for these purposes and recommend adoption of the Senate language to promote the valued guidance of the intuitional financial aid community with disclosure of their interactions.***

S. 1642 would be strengthened with the inclusion of a House proposal that would require creditors to notify, in writing, an institution before issuing a private educational loan greater than \$1,000. This requirement will allow FAOs to consult with students and ensure they are well-informed of their options (including more affordable federal loans). In this manner, FAOs can deter students from borrowing more than is necessary, authenticate the lender as well as the loan terms and borrower benefits, and inform students of the short- and long-term consequences of complex educational loan decisions. ***The AAMC recommends the inclusion of the House private loan notification requirement in the final HEA reauthorization package.***

Accreditation

The AAMC also reiterates its concerns with accreditation provisions included in the 109th Congress' HEA reauthorization bills (H.R. 609 and S. 1614) and now in S. 1642. The AAMC objects to the proposed changes to 20 U.S.C. 1099b(a) that would require public disclosure of accrediting agencies' findings and the "comments of the affected institution." In accordance with current law, the LCME publishes only the accreditation status of each school and public disclosure of institutional comments is at the discretion of the affected institution. It is unclear if this policy is congruent with the proposed "summary of agency or association actions." The AAMC believes that this would be the most prudent interpretation and recommends clarification to that effect.

The LCME "Letter of Accreditation" contains detailed information about findings in areas of partial or substantial compliance with accreditation standards, as well as identification of "areas of transition" whose outcome could result in noncompliance in the future. This information would be difficult for the public to interpret without appropriate context. The Letter of Accreditation does not distinguish areas of noncompliance that could easily be remedied by the school from those that might require substantial time and resources to remediate. Without explanation and context, this information (or a summarized version) could easily be misconstrued by the public and result in reputational or economic damage to the medical school. ***The AAMC recommends that public disclosure of accrediting agencies' findings and the comments of an affected institution remain at the discretion of the institution.***

Furthermore, the AAMC recommends the clarification of mission-related language in the standards for accrediting agencies. The requirement that accrediting associations "respect the stated mission" seems to suggest that some accreditation standards could be over-ridden by other concerns related to institutional mission. As the accrediting authority for educational programs leading to the M.D. degree, the LCME plays a unique role in ensuring that physician education meets professional standards and public expectations. The LCME considers a school's mission in its current process in matters such as preparation of graduates for primary care, emphasis on research, and goals for diversity. However, compromising LCME standards in deference to an institution's mission, should it conflict with the interests of the public's health, would contradict LCME's responsibilities. The LCME must ensure that graduates of accredited medical schools are prepared, by both the educational experience and the example of their teachers, to provide competent, compassionate care for all. ***Consequently, the AAMC recommends that HEA report language include the following: "It is the intent of the Committee that respect for the 'mission of the institution of higher education, including religious mission' will not be used to exempt institutions or programs from accreditation requirements associated with the practice of medicine and other professions in the interest of public health and safety."***

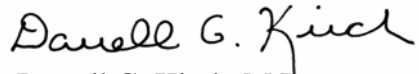
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We encourage leaders in the House and Senate to respond to these concerns about medical educational debt and accreditation. The AAMC supports the development of a physician workforce capable of caring optimally for our increasingly diverse and aging population. In the face of a looming physician shortage, the aforementioned changes are important 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,

A handwritten signature in cursive script that reads "Darrell G. Kirch".

Darrell G. Kirch, M.D.