



**Association of
American Medical Colleges**
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Darrell G. Kirch, M.D.
President and Chief Executive Officer

May 15, 2008

The Honorable George Miller
Chair
Committee on Education and Labor
2181 Rayburn House Office Building
United States House of Representatives
Washington, D.C. 20515

The Honorable Howard "Buck" McKeon
Ranking Member
Committee on Education and Labor
2101 Rayburn House Office Building
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Miller and Ranking Member McKeon:

On behalf of the Association of American Medical Colleges (AAMC), I write in regard to the ongoing Conference of the "College Opportunity and Affordability Act of 2007" (H.R. 4137) and the "Higher Education Amendments of 2007" (S.1642). 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.

Economic Hardship Deferment

The AAMC urges you to reinstate the debt-to-income ratio pathway ("20/220 pathway") of the economic hardship deferment in the conference report to accompany the Higher Education Act (HEA) reauthorization to assist medical residents during this crucial time in their training. As you know, medical residents rely on the 20/220 pathway to help defray their high debt burden. High medical student debt, averaging \$140,000 in 2007, is a significant hardship throughout the loan repayment period, particularly during the three to eight years of training in medical residency programs. The average first-year stipend for medical residents is less than \$45,000 and can be especially challenging for residents who pursue their training in urban areas where the cost of living is high.

Under Public Law 110-84, after July 1, 2009, medical residents will be eligible for the income-based repayment program, which caps participating borrowers at 15 percent of their income that exceeds 150 percent of the poverty line for the borrowers' family size. However, the new income-based repayment program does not offer medical residents the option to postpone loan repayment during their residency training. Rather, medical residents wishing to postpone

repayment may be forced to enter forbearance, during which interest accrues on their entire federal loan portfolio.

Following the enactment of Public Law 110-84, the Department of Education used its regulatory authority to retain the 20/220 pathway and sent a letter to Congress confirming this action. Throughout the 2007-2008 negotiated rulemaking process, the Department stood by this commitment by retaining the 20/220 pathway language in proposed draft regulations. However, we were disappointed to learn that on March 5, 2008, the Department reversed its position and pulled the 20/220 pathway language from the proposed draft regulations. ***The AAMC urges you to work with the Department and take the necessary legislative steps to reinstate the 20/220 pathway or provide an equivalent funding mechanism for loan deferment in the final HEA reauthorization conference report.***

Student Loan Oversight

The AAMC supports full transparency in medical schools' lender relationships. To that end, the AAMC recommends adoption of the student loan oversight language in S. 1642. We are particularly concerned with provisions of H.R. 4137 that could hurt the quality of student loans.

H.R. 4137 would prohibit 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 recommends adoption of the Senate language to promote the valued guidance of the institutional financial aid community with disclosure of their interactions.***

The AAMC supports House language in H.R. 4137 that exempts from prohibited lender gifts "entrance and exit counseling services provided to borrowers to meet a covered institution's responsibilities for exit counseling as required by section 485(b)." The AAMC believes that entrance counseling services required by section 485(a) also should be included in this exception. Section 485(a) requires financial aid officers to disseminate information on student aid to students and prospective students, including types of federal aid available, the terms and benefits of this aid, and expected cost of attendance (among other requirements). While not labeled as "entrance counseling" in statute, these dissemination activities are recognized by the Department of Education and by financial aid officers as mandatory entrance counseling services. ***The AAMC recommends that the final HEA reauthorization package include an amended lender gift exception under Sec. 111 of H.R. 4137 which reads: "Entrance and Exit counseling services provided to borrowers to meet a covered institution's responsibilities for entrance and***

exit counseling as required by sections 485(a) and 485(b) provided that - (I) a covered institution's staff are in control of the counseling (whether in person or via electronic capabilities); and (II) such counseling does not promote the products or services of any lender."

H.R. 4137 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 that the final HEA reauthorization package include the House private loan notification requirement under Sec. 1021 of H.R. 4137.***

Perkins Loan Limits

The AAMC also supports Sec. 464 of H.R. 4137, which would increase the annual Perkins loan limit for graduate/professional students from \$6,000 to \$8,000 and provide a corresponding increase in the aggregate Perkins loan limit for graduate/professional students from \$40,000 to \$60,000. ***The AAMC applauds the bi-partisan support of this language and recommends that the final HEA reauthorization package include the House increases to the annual and aggregate Perkins loan limits for graduate/professional students.***

Grants and Loan Forgiveness in Areas of National Need

Sec. 705 of S. 1642 would expand institution access to grants for Graduate Assistance in Areas of National Need (GAANN). The new definition would require the Secretary of Education, in consultation with appropriate Federal and nonprofit agencies and organizations, including the National Science Foundation, the Department of Defense, the Department of Homeland Security, the National Academy of Sciences, and the Bureau of Labor Statistics, to designate areas of national need based on the following criteria:

- (1) the extent to which the interest in the area is compelling;
- (2) the extent to which other Federal programs support post baccalaureate study in the area concerned;
- (3) an assessment of how the program may achieve the most significant impact with available resources; and
- (4) an assessment of current and future professional workforce needs of the United States.

The AAMC believes that health professions education programs, such as medicine and nursing, would qualify for GAANN institutional grants in light of their expected workforce shortages. ***The AAMC recommends that the final HEA reauthorization package include Sec. 705 of S. 1642 to expand institutional eligibility for Graduate Assistance in Areas of National Need in consideration of "current and future professional workforce needs of the United States."***

The Honorable George Miller

May 15, 2008

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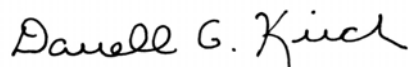
Sec. 425 of H.R. 4137 creates a loan forgiveness program for service in areas of national need. Under this program, “medical specialists” are eligible for up to \$10,000 in loan forgiveness if they: 1) have received a degree from an LCME-accredited medical school; and 2) have been accepted to, or currently participate in, an ACGME-accredited graduate medical education training program that requires more than 5 years of total graduate medical training and has fewer U.S. medical school graduate applicants than the total number of positions available under these programs. ***The AAMC recommends that the final HEA reauthorization package include Sec. 425 of H.R. 4127 to provide loan forgiveness for medical specialists.***

Accreditation

The AAMC recommends clarification of new mission-related standards for accrediting agencies in both S. 1642 and H.R. 4137. The requirement that accrediting associations “respect the stated mission” suggests 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 supports report language accompanying H.R. 4137 (REPT. 110-500) that states: “It is also the intent of the Committee that this amendment does not change or alter current accreditation requirements, and the exemptions included in those requirements, for training professionals in the practice of medicine and other health care professions.”***

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. If you have any questions, please contact Matthew Shick on my staff at <mshick@aamc.org> or 202-862-6116.

Sincerely,


Darrell G. Kirch, M.D.