



## Talking Points: Title VII and VIII Student Loan Program Rescissions

- In 2005, over 85 percent of allopathic medical school graduates had debt, the average medical school student graduated with a debt of \$120,280, and 9 percent of graduates were \$200,000 or more in debt.
- The Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA) offers affordable Student Loan Programs authorized under Titles VII and VIII of the Public Health Service Act, including:
  - The Health Professions Student Loan (HPSL) program awards funds to accredited schools of dentistry, optometry, pharmacy, podiatric medicine, and veterinary medicine;
  - The Primary Care Loan (PCL) program awards funds to accredited schools of allopathic and osteopathic medicine for medical students who agree to enter and complete residency training in primary care within four years after graduation and practice in primary care for the life of the loan;
  - The Loans for Disadvantaged Students (LDS) program awards funds to HPSL and PCL eligible students who are from a disadvantaged background as defined by HHS; and
  - The Nursing Student Loan (NSL) program awards funds to accredited schools of nursing under Title VIII.
- All of the Title VII and VIII student loans offer a 5 percent interest rate.
- Variable interest rates for Stafford loans have reached historic lows of 2.77 percent in recent years, and 4.70 percent in the 2005/2006 academic year. On July 1, 2006 they will be fixed at 6.80 percent.
- **The average medical student participating in the Title VII student loan programs will save over \$50,000 when compared to current Stafford loans.**
- The new Graduate PLUS loans will have an interest rate of 7.9 percent and 8.5 percent for the Direct Loan and Guaranteed Loan (FFELP) programs, respectively.
- **The Student Loan programs do not receive an annual appropriation. They are financed by a revolving fund that is sustained by interest and student/graduate loan repayment.**
- In each of the past two years, Congress has rescinded the “unobligated balance” from these programs.
- In FY 2005, HRSA returned \$21 million to the US Treasury. In 2006, HRSA returned \$26.5 million to the US Treasury.
- The Administration’s budget proposes to recall the “Federal portion of all of the liquid assets of such fund,” requiring the return of all funds that have not yet been dedicated to students. This would require participating institutions to return the “Federal capital contribution,” roughly 8/9ths of any cash-on-hand.
- The Administration estimates this rescission will recall \$100 million. Other sources indicate that this rescission could recall significantly more than the Administration’s estimate.
- **This rescission would recall as much as \$4 million from each medical institution participating in the Title VII student loan programs.**
- The Administration’s proposed rescission would essentially eliminate the revolving funds and available capital for new loans in subsequent years, until repayments of prior student loans restore the revolving funds.