

## President Obama’s FY 2017 Budget: Impact on Medical School Financial Aid

President Obama’s fiscal year (FY) 2017 budget proposes significant changes to federal student aid and repayment programs, but what does it mean for medical students?

### What is the “President’s Budget?”

Every year, the president outlines plans for federal agencies for the following fiscal year (October 1 to September 30), including the administration’s spending and legislative priorities. These “requests” often require congressional approval. The president’s FY 2017 budget coincides with the expiration of the Higher Education Act (HEA), which authorizes programs at the Department of Education, including federal student aid. As such, it is likely that Congress will address any education legislative requests as part of HEA reauthorization after the 2016 presidential elections.

President’s FY 2017 Budget - Graduate/Professional Student Aid Proposals	
Current Law	President’s Proposal
<u><a href="#">Income-Driven Repayment Plans</a></u>	
Income-driven repayment options include Pay As You Earn (PAYE), Revised PAYE (REPAYE), Income Based Repayment (IBR), and Income Contingent Repayment (ICR)	Establishes PAYE as the only income-driven plan for new borrowers after July 1, 2017 (current borrowers retain their repayment options), but with terms similar to REPAYE (e.g., no monthly payment cap and 25-year forgiveness for medical students)
<u><a href="#">Public Service Loan Forgiveness (PSLF)</a></u>	
PSLF forgives the remaining balance on eligible Direct Loans (over \$200,000 in many cases <sup>1</sup> )	<b>Caps forgiveness at \$57,500</b> (the aggregate loan limit for undergraduate students)
Eligible repayment plans include: 10-year Standard Repayment, ICR, IBR, and PAYE	Prevents payments made under non-income driven repayment plans from counting toward PSLF (i.e., eventually PAYE only)
<u><a href="#">Education Tax Incentives</a></u>	
Medical students may be eligible for the Lifetime Learning Credit (\$2,000/year) and medical residents may be eligible for the Student Loan Interest Deduction (\$2,500/year)	Consolidates these education tax incentives under the American Opportunity Tax Credit (\$2,500/year, indexed to inflation), which is limited to the first 5 years of higher education

### Will this impact me?

Since Congress does not always see eye-to-eye with the president, it is unclear to what extent the president’s proposals will be adopted, but they will certainly be part of HEA reauthorization discussions. Typically, Congress and the administration make changes to federal student aid programs applicable only to new borrowers, and grandfather current borrowers who would otherwise be adversely impacted.

### What is AAMC doing?

AAMC President and CEO Darrell G. Kirch, M.D., immediately released a [statement](#) expressing disappointment that “the administration’s proposed cap on Public Service Loan Forgiveness would all but exclude medical students, overlooking the already vulnerable patients served by physicians working in nonprofit settings.”

AAMC will [continue](#) to advocate on behalf of medical students throughout HEA reauthorization.

### What can you do?

Sign up for [AAMC Action](#), AAMC’s online grassroots advocacy community, as well as the AAMC-supported [Save Student Aid!](#) campaign.

**Information:** Matthew Shick, J.D., [mshick@aamc.org](mailto:mshick@aamc.org), AAMC Government Relations, 202-828-0526.