



American Medical Student Association
Student Debt Fact Sheet 2009

To make higher education affordable for more Americans, Congress must take proactive steps to reduce and eventually eliminate medical student indebtedness.

Background:

In September 2007, President Bush signed the College Cost Reduction and Access Act (Pub.L.110-84) which went into effect on July 1, 2008. This law, sponsored by Representative Miller [CA], severely reduced the ability of medical school graduates to defer payment of their loans while they are completing government-mandated residency training. The deferment is known as the 20/220 pathway, which was utilized by 67% of medical residents to defer loan repayment and subsidize interest for the first 3 years of any residency.

This deferment pathway was replaced with an income-sensitive repayment plan that is unlikely to continue to qualify a significant portion of residents for economic hardship deferment¹. To be eligible for the new plan, a borrower's income cannot exceed either the minimum wage rate or 150% of the federal poverty level (FPL). Residents' loan repayments will be as much as 15% of any income above 150% of the Federal Poverty Line².

On July 31st, 2008, Congress reauthorized the Higher Education Act. This required better consumer disclosures and protections on private student loans. It simplified the FAFSA application process and made Pell grants available year round with increases in the grants from \$4,800 to \$6,000 in 2009 and again in 2014 to \$8,000. It also helped to increase student financial literacy by strengthening available TRIO and GEAR UP programs. It was signed into law on August 18th, but it did not include a reinstatement of the economic hardship deferral pathway.

The average medical student debt load upon graduation from an academic medical program is approximately \$140,000 USD³.

Some Statistics from 2007:

- o \$43,266/yr. average. salary for residents
- o \$139,517 was the average debt
- o 75.5% graduating have debt +100k
- o 87.5% carry outstanding debts

Why is it called 20/220?

Under the Economic Hardship Deferment path, eligible students were considered qualified only if their debt burden was greater than 20% of their income. Additionally, their income minus their debt burden had to be less than 220% of the Federal Poverty Level for a family of two. The 2008 FPL is \$14,000 in the continental U.S. and \$17,500 and \$16,100 for Alaska and Hawaii, respectively.

¹ <http://www.aamc.org/advocacy/library/educ/ed0004.htm>

² http://www.ama-assn.org/ama1/pub/upload/mm/15/hr2669_talkingpoints.pdf American Medical Association Medical Student Section (AMA-MSS)

³ AAMC latest data on average student debt on graduation: in 2007, average medical student debt burden upon graduation was \$139,517 "AAMC graduation questionnaire"; 2008 figures are not yet available, though this year's questionnaire closed for input on 7/17/08 and data will be available shortly.

How does the number of qualified residents change after the passage of H.R.2669?

About 67% of medical residents qualified previously for economic hardship deferment⁴. With the passage of H.R. 2669, few, if any, residents will qualify for economic deferment under the new salary-based guidelines.

How does the income-sensitive repayment plan affect medical students?

The replacement income-based repayment plan caps repayment of loans during residency. It will not allow residents to defer loans, and so will offer little to no debt relief while they are obtaining their compulsory training.

When does this law come into effect?

Through a compensatory measure of Congress, medical residents who are eligible for deferment are now able to apply for one additional year of the 20/220 pathway deferment only through July 1, 2009. After that, the income-based repayment plan comes into effect.

Can forbearance help?

Forbearance is an option allowed under current policy, and can help residents who are unable to make full payments on their loans during residency delay payment until they are making a full physician's salary. However, the terms to which it is attached vary depending on the lender. Annual interest on loans and lack of subsidization of that interest on them will continue to cause medical student debt to soar.

Summary:

The reauthorization of the Higher Education Act does not contain a provision that allows medical school graduates to defer medical loan payments while they are completing their necessary residency training. Without this provision, it is more expensive to attend medical school making it an even less viable option for qualified students who come from demographic groups that are underrepresented in medicine.

⁴ <http://www.ama-assn.org/ama/pub/category/18107.html>