

April 19, 2004

The Honorable John Boehner
Chairman
Committee on Education and the Workforce
United States House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515

The Honorable George Miller
Ranking Member
Committee on Education and the Workforce
United States House of Representatives
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Boehner and Representative Miller:

The undersigned organizations are pleased to submit for your review two recommendations we hope you will consider during the Higher Education Act reauthorization process: extend the economic hardship deferment for qualified borrowers and increase the subsidized Federal Stafford loan limit. As representatives of our nation's physician workforce, we are committed to ensuring that future physicians are able to afford the cost of medical education.

We recommend that the type of debt medical students take on carry the best possible terms and conditions, and that deferment opportunities recognize the unique nature of a medical residency.

Loan Limits

Loan limits have not increased for graduate and professional students since 1992. Because the cost of education has increased since that time, we urge Congress at a minimum to increase the subsidized Stafford Loan limits to at least \$12,000 per year. This modest increase would approximately account for the cost of inflation since 1992.

Keeping the costs of a medical education down by limiting exposure to private and unsubsidized loans and by increasing the proportion of their loan portfolio comprised of subsidized loans will help medical students choose a specialty and practice location driven by their education, experiences, and aspirations, rather than by the amounts of their educational loan liabilities.

Economic Hardship Deferment

Graduation from medical school is not the beginning of a medical career. Physicians-in-training must still complete a residency training period. The length of a residency depends on the physician's specialty. For example, residency programs typically last three years for primary care, family medicine and pediatrics, four years for obstetrics/gynecology, and up to seven years for surgery and other subspecialties.

Because of their high debt-to-income ratio, many physician borrowers are eligible to defer repayment of their federal student loans during their residency training programs through the Economic Hardship Deferment. However, the Economic Hardship Deferment is currently only available for three years. While lenders are required to offer forbearance to medical residents

The Honorable John Boehner and George Miller
April 19, 2004
Page 2

throughout their required training, this can be a very expensive option for the borrower because interest continues to accrue and may be capitalized.

We support extending the Economic Hardship Deferment for qualified borrowers to the length of “a medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service, or for the length of time they are in a medical or dental internship or residency leading to a degree or certificate awarded by a hospital or health care facility which offers postgraduate training.” This would make the Economic Hardship Deferment consistent with the current guidelines regulating mandatory forbearance for medical residents, and remove one obstacle facing borrowers who elect to train for lengthy residency training periods.

We also urge Congress to include all educational loans, including school-certified private or alternative loans as well as institutional loans, in the calculation for determining eligibility for the Economic Hardship Deferment. While these loans are not eligible for the deferment, they do represent legitimate educational debt burden and should be included in the debt-to-income calculation.

Thank you for your consistent leadership and dedication to improving our nation’s health care system. We look forward to working with you on this reauthorization and ensuring that American patients are cared for by a well-trained physician workforce.

Sincerely,

American Academy of Child and Adolescent Psychiatry
American Academy of Facial Plastic and Reconstructive Surgery
American Academy of Ophthalmology
American Academy of Orthopaedic Surgeons
American Academy of Otolaryngology- Head and Neck Surgery
American Academy of Physical Medicine and Rehabilitation
American Association of Colleges of Osteopathic Medicine
American Association of Neurological Surgeons
American College of Nuclear Physicians
American College of Obstetricians and Gynecologists
American College of Osteopathic Surgeons
American College of Physicians
American College of Surgeons
American Geriatrics Society
American Medical Association
American Psychiatric Association
American Society for Gastrointestinal Endoscopy
American Society of Anesthesiologists

The Honorable John Boehner and George Miller
April 19, 2004
Page 3

American Society of Hematology
Association of American Medical Colleges
Congress of Neurological Surgeons
Society for Cardiovascular Angiography and Interventions
Society of Gynecologic Oncologists
Society of Nuclear Medicine
Society of Thoracic Surgeons