

Issue Brief: 20/220 and Your Finances

What is the 20/220 Rule?

- The 20/220 Rule determines eligibility for Economic Hardship Deferment of federal student loans, including medical student loans.
- “Economic Hardship Deferment” eligibility means:
 - NO payments required for up to 3 years, and
 - NO interest accrues on subsidized loans
- To be eligible for the 20/220 Rule, residents’:
 - Debt must be > 20% of their income
 - Income less debt < 220% FPL
- 67% of incoming residents are eligible for Economic Hardship Deferment under the 20/220 Rule.

Elimination of the 20/220 Rule

- The 20/220 Rule would have been eliminated by the Higher Education Act’s reconciliation bill, the College Cost Reduction and Access Act (H.R.2669), without AMA advocacy efforts and maintenance of the pathway through the Department of Education’s final rule.
- The only other option for obtaining loan payment deferment is applying for forbearance.
- Forbearance is an expensive alternative to Economic Hardship Deferment, as interest still accrues on subsidized loans and is capitalized at the end of the period.

The numbers:

\$139,517	Average student loan debt
\$44,747	Average resident income
\$3,729	Average monthly gross resident income
\$1,606	Average loan payment without 20/220 deferment

What options exist with the elimination of the 20/220 Rule?

Forbearance

- Borrowers who don’t qualify for economic hardship deferment and can’t afford to make payments can only go into forbearance.
- Interest will accrue on all loans during forbearance.

Income-Based Repayment

- Starts July 1, 2009
 - Note the gap between the end of 20/220, which was supposed to end Oct. 1, 2007, and the start of IBR
- Caps participating borrowers’ loan payments
 - Capped at 15 percent of their income over 150 percent of the poverty line
- Payments are applied first to the interest, then to the principal
- All are eligible: No minimum debt/maximum income

Your help is needed!

- Ask for the 20/220 pathway to be restored.
- Support reinstatement of the 20/220 pathway through the Burr-Isakson bill (S.2303) and the Walberg bill (H.R.4344).
- In the meantime, ask that the elimination of the 20/220 pathway be delayed until after July 1, 2009, at which time a new loan repayment program (H.R.2669) will take effect.
- Stay up-to- date on the latest action regarding 20/220: <http://www.ama-assn.org/go/deferment>
- Contact Congress about 20/220: <http://capwiz.com/ama/issues/alert/?alertid=10524271&type=co>
- AMA-MSS Committee on Legislation and Advocacy: <http://www.ama-assn.org/go/cola>
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