

Student loan debt relief

The problem

Medical students often incur huge debt to finance their education. Student loan debt continues to be a tremendous hardship, especially during a physician's residency training program.

- In 2006, the typical medical student graduated from medical school with an average of \$130,500 in student loan debt.
- However, during their residency training, physicians often work at lower paying jobs and still face enormous debt. The average starting salary of a resident physician is \$43,266.
- The cost of education often affects a medical graduate's career choices. Borrowers with high loan debt are often deterred from entering public health service, practicing medicine in "underserved" areas, starting a career in medical education or research, or practicing primary care medicine.

The solution

Student debt relief is a high priority for the AMA's medical student, resident physician and young physician members. The AMA supports debt relief proposals to:

- Ensure fair, low interest rates for new student loans
- Expand the definition of "economic hardship" for loan deferment. Including all education loans in the "hard-ship" determination would allow many needy borrowers, who do not currently meet criteria, to qualify for loan deferment
- Expand the loan deferment period. The loan deferment period—currently limited to three years for those who qualify—should be extended throughout residency and fellowship training

- Account for the special needs of students who are caring for dependents. Students with dependents should be permitted to claim dependent care costs (health insurance, living expenses, etc.) in the calculation of "cost of attendance" for loan eligibility
- Require lenders to report timely loan payments to all national credit bureaus and fully disclose consolidated loan terms to applicants
- Require Department of Education study on medical student indebtedness
- Require GAO study to evaluate and determine the reasons for the decline in the number of medical school graduates entering residency programs lasting more than five years

Reauthorization of the Higher Education Act (HEA)

The Higher Education Act has not been reauthorized since 1998. Congress has passed several extensions to fund programs under the act. On Sept. 30, 2006, legislation was signed into law to extend programs under the HEA through June 30, 2007. Although several AMA-supported proposals (repeal of the single-holder rule, increased loan limits, reduction of origination fees, fixed interest rate for new student loans and consolidation loan interest rates) became public law in the 109th Congress, the AMA urges Congress to consider the remaining AMA debt relief proposals outlined above when the HEA is reauthorized. Congress is expected to begin work on the reauthorization of the HEA this spring.

Pass effective legislative reforms to help ease the high debt burden for medical graduates!

