

October 8, 2007

The Honorable Edward M. Kennedy
Chair
Senate Health, Education, Labor and Pensions Committee
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

On behalf of the American College of Physicians (ACP), representing 124,000 internal medicine physicians, residents and medical students, I am writing to express our objections to the revisions made to the economic hardship definition in the "College Cost Reduction and Access Act" (H.R. 2669). This new law eliminates the economic hardship deferment qualification criterion that most of the nation's medical residents rely upon to defer their student loan debts while completing residency training.

Prior to the passage of this Act, a medical resident could qualify for the economic hardship deferment if he/she was employed full-time and his/her federal education debt burden was equal to or greater than 20 percent of his/her monthly income, and his/her income minus the education debt burden was less than 220 percent of the greater of the minimum wage rate or the federal poverty line for a family of two ("20/220 pathway").

This new law eliminates the "20/220 pathway" for economic hardship deferment which most of the nation's medical residents rely upon. The elimination of this deferment option forces the majority of medical residents, who would have otherwise been able to defer repayment for a period of time during their residency, to begin repayment immediately after the conclusion of their medical school training. Furthermore, with an effective date of October 1, 2007, the College is extremely concerned that medical residents will not have adequate time to arrange for an immediate loan repayment plan and that this will place an extreme hardship on residents in the middle of the year.

In place of the "20/220 pathway", this law offers borrowers the option of participating in a debt repayment program that caps payments at 15% of the borrower's income that is above 150% FPL. However this repayment program does not go into effect until July 1, 2009, which leaves medical residents with no immediate reprieve for a significant period of time. It is important to note that the average medical school graduate in 2006 carried a debt burden of over \$130,000 and the average first-year stipend for a medical resident was \$43,000. Under the new income-based repayment program, a medical resident in a single-person household would be required to make estimated monthly payments of \$349 beginning as a first-year resident.

Such a debt is a significant hardship throughout the loan repayment period, particularly during the three to seven years of training in residency programs. ACP is concerned about the rising cost of medical education and resulting financial debt burden on medical students and physicians-in-training. High levels of debt serve as a deterrent to pursuing careers in primary care, working in underserved areas, or entering the medical profession altogether. Further complicating student debt repayment will likely only deter students from pursuing careers in medicine, particularly less remunerative specialties such as internal medicine and family medicine, which are already facing shortages.

ACP urges you to either reinstate the 20/220 economic hardship deferment eligibility criterion or increase the eligibility threshold for economic hardship deferment. In the interim, the effective date of the elimination of the 20/220 pathway should be delayed until July 1, 2009, to give medical residents an opportunity to prepare for this unexpected change. The extension of the effective date will allow for the new criteria to be reviewed and enhanced during the reauthorization process so that medical residents can avoid going into forbearance during a critical stage in their medical training and development. We look forward to working with you to alleviate the debt burden facing our nation's medical residents because of these changes.

Sincerely,

A handwritten signature in black ink that reads "David C. Dale". The signature is written in a cursive, flowing style.

David C. Dale, MD, FACP
President