

April 19, 2004

The Honorable Judd Gregg  
Chairman  
Committee on Health, Education,  
Labor and Pensions  
United States Senate  
835 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Edward Kennedy  
Ranking Member  
Committee on Health, Education,  
Labor and Pensions  
United States Senate  
644 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Gregg and Senator Kennedy:

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

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available for three years. While lenders are required to offer forbearance to medical residents 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

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American Society of Anesthesiologists  
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