

## Medical Student Debt

Medical Students carry an average debt load of \$103,855, according to the AAMC's Medical Student Graduation Questionnaire, with a 5% increase in debt since last year. Nearly 21% of students carry a burden over \$150,000. Severe debt loads may impact specialty choice, deter students from entering primary care or working in under-served areas, and thus, pose barriers to access of health care.

### Links of Interest

[AAMC state loan repayment program](#)

The AMA responded to the Department of Education's request for comment on the Reauthorization of the Higher Education Act (HEA) with a [letter](#) requesting critical revisions that could save medical students millions of dollars. The Higher Education Act of 1965 initiated the federal student loan program and currently establishes the federal guidelines, such as student loan interest rate adjustments, deferments, subsidies, and tax deductions. In the near future, the Department of Education will be presenting a revised HEA for approval by Congress and the President. When the time comes, it will be important for medical students across the nation to contact their elected leadership and ask for their support of the necessary changes.

The AMA recently submitted an [official statement](#) to the House Education and the Workforce Subcommittee on 21st Century Competitiveness regarding the federal student loan consolidation program. The subcommittee is currently developing proposals for the Reauthorization of the Higher Education Act and the AMA is following developments closely as the preservation and improvement of student loan consolidation is one of our many student debt priorities.

### HEA Letter to the Dept. of Education



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February 28, 2003

Mr. Jeffrey R. Andrade  
Deputy Secretary for Policy, Planning, and Innovation  
Office of Postsecondary Education  
Department of Education  
1990 K Street, NW, Room 8046  
Washington, DC 20006

RE: Comments on the Reauthorization of the Higher Education Act

On behalf of the American Medical Association's (AMA) physician, resident physician, and medical student members, I am pleased to submit the enclosed comments regarding the reauthorization of the Higher Education Act of 1965 (HEA). For many years, the AMA has worked diligently to ensure better access to higher education opportunities for medical students and resident physicians, and, we appreciate the opportunity to continue working with the Department of Education (DoED) on issues of mutual concern.

In response to the DoED's call for comments regarding the reauthorization of the HEA, we have included the following key issues that we believe should be addressed. We also will raise these issues with the appropriate Congressional Committees. Our concerns are briefly outlined directly below and each concern is more fully explained in our comment letter.

- The AMA urges you to broaden the definition of "economic hardship" for purposes of determining eligibility for student loan deferments.
- The AMA continues to staunchly support the deferment on repayment of education loans by resident physicians and encourages the DoED to expand the deferment period to the entire duration of the physician-training period.
- The AMA recommends that DoED continue its existing policy regarding loan forbearance on the

- repayment of educational loans, accompanied by less cumbersome filing rules where possible.
- The AMA urges DoED to maintain the current loan consolidation program and fixed-interest rate scheme, while eliminating the "Single Holder Rule."
- The AMA supports the preservation of the in-school interest subsidy.
- The AMA strongly advocates for the preservation of the tax deduction on student loan interest, while increasing the deduction amount and income thresholds.
- The AMA would like to see security measures applied to the identification of student loan borrowers, an expansion of current loan programs and the inclusion of dependent care costs in the "cost of attendance" definition.

### **Broaden the "Economic Hardship" Definition**

Education loans are an investment in the future of our young people and our nation. Borrowing money to finance schooling is often the only avenue of pursuing higher education for students from middle and low-income backgrounds. This is especially true for those who proceed on to medical school.

In 1992, the reauthorization of the Higher Education Act instituted a three-year student loan deferment period to resident physicians with student loans who qualified as having an "economic hardship." The primary factors for determining economic hardship are the borrower's income and his/her debt-to-income ratio. Resident physicians frequently have acquired significant financial debt by the time they actually begin to practice medicine.

The present economic hardship equation states that a borrower is considered to have an economic hardship if the borrower is working full-time and has a Federal education debt burden that equals or exceeds 20 percent of the borrower's adjusted gross income (AGI), and the difference between the AGI minus such burden is less than 220% of the greater of: (1) the annual earnings of an individual earning the minimum wage or (2) the income official poverty line applicable to a family of two.

Unfortunately, under the current "economic hardship" definition, many borrowers do not qualify for loan deferment. With the costs of medical school education rising every year, special provisions should be put in place to ensure that loan deferments are actually obtained by those who need deferment the most. Thus, "economic hardship" should be defined with fewer constrictions so that all individuals who are struggling economically and need deferment are included.

**The AMA advocates the elimination of the 220% rule.** This would make deferment less complicated. Additionally, more deserving resident physicians could apply for and obtain loan deferment. If elimination of the 220% rule is not possible, **then the AMA strongly urges that the 220% threshold be increased**, which would allow more student loan borrowers to qualify for deferment.

### **Preserve and Expand Student Loan Deferment and Forbearance on the Repayment of Student Loans**

#### *Extend Student Loan Deferment Throughout the Entire Residency/Fellowship Period*

As stated above, student loan deferment is granted to resident physicians for up to three years when the resident qualifies under the "economic hardship" equation. Deferment on the repayment of student loans is a critical tool for allowing individuals to obtain a medical education and to be able to survive economically during the required time periods of residency and fellowship training programs.

For student loan borrowers who must embark on post-graduate training, such as resident physicians, deferment allows some flexibility regarding the resident physician's chosen field of medicine. Physicians may only become board certified in a specialty after completion of a residency-training program. The minimum duration for a medical resident is three years; however, some programs last up to seven years or

more. Without the ability to defer or at least place student loans into forbearance, many capable individuals would be "priced out" of the opportunity to obtain a medical education.

The majority of resident physicians bear student loans with the average loan debt of a medical school graduate equaling almost \$104,000. **The AMA urges the DoED to advocate for the extension of loan deferment throughout the entire residency and fellowship periods.**

#### *Continue Student Loan Forbearance and Reduce Form Requirements for Loan Deferment and Forbearance*

When a resident physician does not qualify for student loan deferment, he/she may seek to put student loans into forbearance during the time of the training period. Additionally, a borrower who qualifies for loan deferment but exceeds the three-year deferment period is permitted to put his/her loans into forbearance during the remaining years of training, elected on a periodic basis. During the forbearance period, interest accrues on the student loans.

Loan deferment and forbearance have allowed many resident physicians to pursue the medical or surgical field of their choice and has allowed increased training through fellowship programs, which assures that individuals become competent physicians.

Student loan deferment and forbearance support the continuation and completion of a higher education. Each aids in eliminating unmanageable financial burdens while the educational years (including the residency and fellowship training periods) are still in progress. Since resident physicians must undertake at least three years of post-graduate training, forbearance allows a greater number of individuals to pursue a medical education. **Thus, the AMA supports the continuation of student loan forbearance. The AMA also urges the DoED to make the burdens on student loan borrowers less cumbersome by eliminating any unnecessary requirements in the filing of deferment and forbearance forms.**

#### **Preserve and Expand Programs/Tax Credits that Benefit Student Borrowers with Loan Interest Payments**

##### *Preserve the "In-School Interest Subsidy"*

Under the "in-school interest subsidy," the government pays the cost of interest on certain student loans while students are in school. **The AMA staunchly supports the current in-school interest subsidy on student loans and hopes to see this policy preserved,** so that capitalized interest does not compound upon the escalating principal cost of education.

##### *Preserve the Tax Deductibility of Student Loan Interest, While Increasing the Deduction Amount and Income Thresholds*

Currently, graduates of higher education are able to deduct up to \$2,500 in student loan interest each year if they qualify for this tax benefit. The AMA continues to support the tax deductibility of student loan interest, **but recommends that such tax deductibility be expanded.** In light of the increasing cost of post-secondary education, the AMA would like to see that tax deductibility increase to reflect the increases in educational costs.

In order to qualify for the tax deduction of student loan interest, student loan borrowers qualify depending on their annual adjusted gross income (AGI). The AMA applauds the recently enacted increase in AGI thresholds of \$65,000 for single filers and \$130,000 for joint filers (adjusted annually to reflect inflation), which allows more borrowers to deduct student loan interest on their federal taxes. As mentioned earlier, the average debt for medical school graduates (prior to interest compounding during the training period while loans are in forbearance) is almost \$104,000. **Thus, the AMA asks that the income threshold be**

**increased so those borrowers, especially ones who possess such high debt loads, would also qualify for this benefit.**

### **Preserve and Improve Student Loan Consolidation**

#### *Maintain the Loan Consolidation Program as Currently Structured*

The continuation and improvement of the Federal loan consolidation program in the forthcoming reauthorization of the HEA is an important issue for AMA members. This is true because of the program's critical role in enabling new physicians to manage the enormous debt they incur during their medical education. While physicians represent only a small percentage of those who consolidate student loans, consolidation is crucial to them because of their indebtedness levels. The average debt for medical school graduates in 2002 was almost \$104,000. This figure is up 5% from 2001. Repayment of student loan debt consumes about 20% of the average net income of starting primary care physicians (family practitioners, internists, pediatricians and general practitioners).

Starting incomes for those entering the medical professions today have not been increasing in recent years. Since private insurance payments are indexed to Medicare payment levels, physicians have experienced tremendous payment cuts. Additionally, the burdensome cost of liability insurance consumes a large and growing part of a physician's income.

One consequence of this is that many medical school graduates must go into higher paid specialties where the starting salaries are higher and they can better afford student loan repayment. Another consequence is the shortage of family practitioners, internists, and pediatricians and an accompanying inability of new physicians to practice in public hospitals and in geographic areas where their income will be insufficient to allow payment of student loan debt. By consolidating their student loan debt, new physicians can cut their payments in half. This permits new physicians to consider working in pursuits and geographic areas they could not otherwise consider if they had to repay their loans over a 10-year period versus a 15 to 30-year loan repayment period. For this reason, **AMA believes that the loan consolidation program as currently structured is good public policy and should remain as part of the Higher Education Act.**

#### *Retain the Current Interest Rate Formula*

A major advantage of loan consolidation for new practitioners is the fixed-interest rate. The consolidation program allows those who consolidate to obtain a fixed-interest rate for the life of the loan, allowing borrowers to avoid the prospect of escalating interest rates. For our heavily indebted constituents, this is a critical aspect of the consolidation program. **We urge the DoED to recommend retention of the current interest rate formula for consolidated loans.**

#### *Repeal the "Single Holder Rule"*

One aspect of the consolidation program that many of our AMA members have serious concerns about is the inability to look for the best interest rates on the consolidation of their student loans. Through the "Single Holder Rule" the current law unfairly limits consumer choice in refinancing student loans. Presently, student (and parent) loan borrowers, who want to consolidate educational loans, must refinance through their current lender when all of their loans are through a single lender. In fact, many loans of student borrowers are sold without the borrowers' knowledge. The "Single Holder Rule" situation would be analogous to requiring homeowners wanting to refinance their mortgages to do so only with their current mortgage holders, even if the borrower did not chose the lender and if the lender did not offer the best rate and terms.

Many student loan borrowers enter the work force with substantial debt. As stated earlier, physicians enter their residency with an average of almost \$104,000 in student loan debt. It is essential that all student loan borrowers be able to avail themselves of the best possible loan terms when seeking to refinance their

debt. Some lenders offer interest rate reductions on consolidated loans when certain conditions are met. Those subject to the "Single Holder Rule" are barred from seeking rate reductions, which prevents student loan borrowers from consolidating their student loans at the lowest cost.

**We urge the DoED to support repeal of the "Single Holder Rule during reauthorization of the HEA.**

A repeal of this rule would have the positive effects of broadening consumer choice and improving market competitiveness, while aiding in the affordability of the overall cost of higher education.

**Apply Security Measures to the Identification of Student Loan Borrowers**

During the past year, the issue of privacy and security has come to the forefront as a national concern. Currently, student loan accounts are identified through the use of the borrower's Social Security Number (SSN). With such a practice, the AMA is concerned about an individual's confidentiality remaining intact. It appears that SSN thefts are becoming more common. Thus, it is not in any borrower's best interest to use one's SSN as the identifying number on student loan accounts. **The AMA urges the DoED to end the practice of student loan services and other associated agencies from using the borrower's SSN as the loan account number.**

**Expand Current Loan Programs**

Educational costs increase each year. Recently, some institutions of higher learning have mandated mid-year tuition hikes, which the AMA strongly opposes. Given the increasing costs of higher education, the **AMA would like to see an increase in the maximum amount allowed for Stafford Loans.** Such an increase could reflect the inflation rate of tuition fees. Moreover, Pell Grants are currently only provided to undergraduate students. **The AMA supports expanding Pell Grants into graduate school.**

**Include Dependent Care Costs in the "Cost of Attendance" Definition**

Currently, graduate school students are not allowed to include dependent care, dependent health insurance, or dependent living expenses as part of their "cost of attendance" when their financial aid packages are being considered. **The AMA believes that the "cost of attendance" definition for medical education should be changed to include such dependent costs.** If this were to occur then these costs would be recognized as part of the students' budgets and educational expenses when determining graduate medical education financial aid. **Thus, we implore the DoED to include dependent care costs in the "costs of attendance" definition during the financial aid application process.** This would expand medical school access to parents who want to attend medical school. It would also assist students who are also parents with completing medical school, while adequately attending to their dependents.

In closing, we thank you for the opportunity to share our thoughts and concerns, and, we appreciate your thoughtful consideration of our comments.

Sincerely,

Michael D. Maves, MD, MBA, EVP/CEO  
American Medical Association

**STATEMENT**

**of the**

**American Medical Association**

to the  
**Subcommittee on 21st Century Competitiveness  
Committee on Education and the Workforce  
U.S. House of Representatives**

**RE: “Consolidation Loans: What's Best for Past Borrowers, Future Students, &  
U.S. Taxpayers?”**

**July 22, 2003**

On behalf of the medical student, resident physician, and physician members of the American Medical Association (AMA), we are pleased to submit this statement on the critical issue of consolidated student loans.

**Introduction**

In 1986, the Federal Consolidation Loan Program was established by Congress to assist student borrowers with the burden of federal student loan debt. A Federal Consolidation Loan allows an individual to consolidate his or her federal student loans into a single loan, choose a flexible repayment term and have a fixed-interest rate for the life of the loan.

The AMA strongly supports the Federal Consolidation Loan program and believes that the following should occur either during the reauthorization of the Higher Education Act (HEA) or through passage of stand-alone legislation:

- Retain the student loan consolidation program;
- Repeal the “Single-Holder” rule;
- Mandate full-disclosure of consolidated loan terms; and
- Allow borrowers to refinance their consolidated student loans at a lower interest rate.

**The Federal Consolidation Loan Program Explained**

The Federal Consolidation Loan program was established by Congress to assist student borrowers with the burden of federal student loan debt. The amount of a Federal Consolidation Loan reflects the total dollar amount of loans one consolidates.

According to law, each year on July 1, the Department of Education resets the student loan interest rate. The interest rate formula for consolidated loans is more favorable when consolidation occurs while one is in school, or during the six-month automatic deferment period, rather than after the six-month deferment period.

The interest rate on consolidated loans is the weighted average of the interest rate on each loan (rounded up to the nearest 1/8%), or 8.25%, whichever is less. Unless consolidated, federal student loans have variable-interest rates, which are set by the Federal

Government each July. Consolidation converts the variable-interest rate to the fixed rate for the life of the loan.

Student borrowers, out-of-school borrowers and parent borrowers are all eligible to consolidate several different types of student loans. And, one may consolidate a consolidation loan only if he or she is combining that loan with at least one other eligible loan.

Lastly, Federal Regulations do not allow lenders to consolidate loans that are currently in default. A loan is considered to be in default only after a borrower fails to make payment on the loan for 270 consecutive days. Any loans that are not in default are eligible for consolidation.

### **Consequences of High Loan Debt**

Students are taking on a tremendous burden as they move through college and graduate school in order to pursue higher education. Roughly two out of three college graduates leave college with debt. Presently, 39% of college students graduate with debt that is more than 8% of their monthly income, creating a severe financial burden on them. Within the last eight years, the student loan obligation has doubled for American students.

Medical school graduates enter their residency with an average of almost \$104,000 in student loan debt. Such debt is a tremendous hardship throughout the repayment period of the loan, but it is especially difficult during the years a physician is undergoing his or her three to eight years of training in a residency program. Almost all first-year residents make less than \$31,000 a year. This figure does not substantially increase throughout residency training.

When education is so costly, graduates' career choices are affected. With such high loan debt, careers serving the public often are put aside for more lucrative jobs so the loan borrower is able to pay off his or her loans. Thus, those who may be considering whether to practice medicine in an "underserved" area, enter the public health service, start a career in medical education or research, or practice primary care medicine are often deterred from such paths.

### **Smart Education Policy**

At a time when many states are cutting their higher education budgets and more individuals are struggling to pay for a college education, we need the Federal government to assist students in obtaining their goal and the American dream of a college degree and graduate study. Keeping higher education affordable and keeping the student loan interest rates at an affordable level contributes to the United States' overall competitiveness as a nation.

When individuals make career choices based on how much money will be earned to pay back student loans, it affects how diverse the country is in terms of chosen career paths.

The entire country benefits when the federal government contributes to the higher education system by offering student borrowers with affordable interest rates.

The AMA believes that it is in our national interest to encourage the best and brightest to complete their education, to be involved in the communities of this country, and to contribute to our Nation's values. One such value is to pay off our debts. Since the federal government has allowed student loan consolidation, the default rate has dropped from 22% to 5.9%. Additionally, by allowing students to lock-in today's historically low interest rates, it will assist students in lowering their overall debt load.

It is also to our country's advantage to assist individuals in obtaining a college degree because college graduates traditionally earn more money over their lifetime than those with only a high school diploma. In fact, on average, a college graduate will earn approximately one million dollars more over his/her life than those whose highest level of educational attainment is a high school diploma. Thus, it is in our nation's best interest to assist students with the financing of their degrees, so that in future years the government will reap the rewards with additional tax dollars being paid to the government. Moreover, these individuals will have more money to pump into the economy through purchases on all levels (stocks/mutual funds, real estate, entertainment, tourism, clothing, etc).

#### **Retain the Loan Consolidation Program**

The continuation and improvement of the Federal loan consolidation program in the forthcoming reauthorization of the HEA is an important issue for AMA members. This is true because of the program's critical role in enabling new physicians to manage the enormous debt they incur during their medical education. While physicians represent only a small percentage of those who consolidate student loans, consolidation is crucial to them because of their levels of indebtedness. As previously stated, the average debt for medical school graduates in 2002 was almost \$104,000. This figure is up 5% from 2001. Repayment of student loan debt consumes about 20% of the average net income of starting primary care physicians (family practitioners, internists, pediatricians and general practitioners).

One consequence of the above occurrences is that many medical school graduates must go into higher paid specialties where the starting salaries are higher and they can better afford student loan repayment, which could lead to shortages of family practitioners, internists, and pediatricians. Another consequence is the inability of new physicians to practice in public hospitals and in geographic areas where their income will be insufficient to allow payment of student loan debt. By consolidating their student loan debt, new physicians can cut their payments in half. This permits new physicians to consider working in pursuits and geographic areas they could not otherwise consider if they had to repay their loans over a 10-year period versus a 15 to 30-year loan repayment period. For this reason, AMA believes that the loan consolidation program as currently structured is good public policy and should remain as part of the Higher Education Act.

#### **Repeal the "Single-Holder" Rule and Mandate Full Disclosure of Loan Terms**

The AMA supports H.R. 942/S. 835, the “Consolidation Student Loans Flexibility Act of 2003.” This legislation would eliminate the “Single-Holder Rule” in the federal loan consolidation program. This would have the positive effects of broadening consumer choice and improving market competitiveness.

The current law unfairly limits consumer choice in refinancing student loans. Presently, student (and parent) loan borrowers, who want to consolidate educational loans, must refinance through their current lender when all of their loans are through a single lender. In fact, many loans of student borrowers are sold without the borrowers’ knowledge. The “Single-Holder Rule” situation would be analogous to requiring homeowners wanting to refinance their mortgages to do so only with their current mortgage holders, even if the borrower did not chose the lender and if the lender did not offer the best rate and terms.

It is essential that all student loan borrowers be able to avail themselves of the best possible loan terms when seeking to refinance their debt. The “Single-Holder Rule” prevents student loan borrowers from consolidating their student loans at the lowest cost.

It is important that this provision be repealed as soon as possible during the 108<sup>th</sup> Congress. We strongly urge Congress to pass H.R. 942/S. 835 in order to eliminate this discriminatory provision in the current law.

S. 835 would also assure that loan consolidation lenders would provide notice to loan applicants regarding various terms of the consolidated loan, including the interest rate, repayment schedules, differences between variable and fixed-interest rates, and the option to prepay loan amounts. Moreover, S. 835 would guarantee that institutions of higher education would provide similar information to student loan borrowers during the exit interview. Along with elimination of the “Single-Holder” rule, we also support exit interview and loan agreements to have “clear and conspicuous” notices in accordance with S. 835.

### **Refinance Consolidated Student Loans at a Lower Interest Rate**

Interest rates on student loans, including consolidated loans, are at a historically low point. Current law does not allow a student loan borrower to refinance his/her loans once consolidated, unless he/she has one (or more) outstanding qualifying loan. Thus, a borrower who consolidated a few years ago is now forced to pay a much higher interest rate than a borrower who consolidates at today’s extremely low rate. This translates into less disposable income for those who consolidated years ago, which means less money being spent to bolster the American economy.

Those who borrow money (or buy on credit) to purchase a home, automobile or home appliance are able to refinance their loans or bargain for a lower interest rate with their lender. Yet, student borrowers are unable to refinance their consolidated student loans. Obtaining a college (and beyond) education is an important American dream. Our Federal government should assist in reaching this goal by lifting restrictive laws, policies and regulations. By allowing an individual to pay less money in interest over the lifetime

of his/her consolidated student loans, then he/she would have additional funds to be able to afford a home, automobile and other goods.

We urge Congress to pass legislation that would allow student loan borrowers to refinance their consolidated loans. The passage of such a law must occur in the near future, so that borrowers can take advantage of today's historically low interest rates.

### **Conclusion**

Thank you for the opportunity to submit our views regarding the Federal Student Loan Consolidation program. The AMA looks forward to working with the Subcommittee and Full Committee on finding solutions to the critical issue of financing higher education for all American students.

## **Policies**

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The debt-related policies on this page include:

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- [Deferment](#)
- [Tax Deductibility for NHSC and Related Programs](#)
- [NHSC and Physician Distribution](#)
- [Graduate Medical Education Financing](#)
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## **Tax Deductibility**

### **H-305.955 Cost of Medical School and Educational Loan Interest**

Our AMA encourages legislation to restore the tax deductibility of student loan interest. (Res. 305, I-92; Reaffirmation, A-00)

### **H-305.963 Tax Deductibility of Interest on Educational Loans**

The AMA urges all members attending the 1990 Annual Meeting to immediately write to their Congressperson and Senator seeking support for HR 747 and SB 656 which would fully restore tax deductibility of interest on educational loans. (Res. 263, A-90; Reaffirmation, A-00)

### **H-305.965 Student Loans**

Our AMA: (1) reaffirms its support of legislation that would defer the repayment of loans for education until the completion of residency training; and (2) lobby before the next federal budget for deferment of medical student loans for the full initial residency period. (Sub. Res. 203, A-90; Appended Res. 306, I-99)

### **H-305.970 Interest on Education Related Debt**

Our AMA encourages Congress to return tax deductible status to interest on post-secondary education related to loans, as was the case prior to the passage of the 1986 Tax Reform Act. (Res. 157, A-89; Reaffirmed: Sunset Report and Reaffirmation, A-00)

### **H-305.978 Tax Deduction Status of Educational Loans**

Our AMA supports the principle that interest on student educational loans should remain tax deductible.

(Res. 121, I-86; Amended by Sunset Report, I-96; Reaffirmation, A-00, I-00))

### **H-305.997 Income Tax Exemption for Medical Student Loans and Scholarships**

The AMA supports continued efforts to obtain exemption from income tax on amounts received under medical scholarship or loan programs. (Res. 65, I-76; Reaffirmed: Sunset Report, I-98)

## **Deferment**

### **H-305.961 Student Loan Deferment**

It is the policy of the AMA (1) to undertake an immediate major campaign to prevent further erosion of Higher Education Act provisions regarding student loan deferment and forbearance for physicians in training; (2) to seek the direct assistance of all appropriate organizations, including state and local medical societies and auxiliaries, national medical specialty societies, medical school deans and faculty, residency training program directors, and housestaff associations to galvanize support to maintain at least the current loan deferment and forbearance allowances for physicians in training; (3) to continue efforts to persuade Congress to extend deferment of repayment of educational program loans until the completion of residency training and to allow up to ten years of forbearance of such educational loans; and (4) to provide as soon as possible all factual information, such as medical student default rates, mean and median levels of student loans and average resident incomes to assist component societies in effective legislative efforts. (Sub. Res. 230, I-91, Reaffirmed: I-00)

### **H-305.972 Postgraduate Deferments for Guaranteed Student Loans**

The AMA supports (1) working with organizations seeking to alter the provision of the Higher Education Act so that medical student borrowers will receive deferment for the duration of postgraduate training regardless of when or where the borrower received the loan and where the borrower is in training; and (2) working to simplify required documentation for deferment, such that proof of training from the residency director guarantees this deferment. (Res. 133, I-87; Reaffirmed: Sunset Report, I-97)

## **Tax Deductibility for NHSC and Related Programs**

### **H-305.937 Taxation of Student Loan Repayment Programs**

Our AMA supports utilization of S.288 and HR.324, and other legislative means to achieve federal income tax exemption for funds received through all state and federal loan repayment programs designed to improve physician supply in underserved areas and populations. (Res. 240, A-99)

### **H-305.940 Tax Exemption for Federal Medical Profession Scholarships**

The AMA plans to work with the American Association of Medical Colleges in support of federal legislation that will assure that the direct medical school expense portion of the National Health Service Corps Scholarship program, the Armed Forces Health Professions Scholarship program and all other federally funded health profession scholarships is not taxable. (Res. 225, I-97)

## **NHSC and Physician Distribution**

### **H-165.900 Support for the Health Care Infrastructure**

The policy of the AMA is: (1) that any national legislation for health system reform include sufficient and continuing financial support for inner-city and rural hospitals, community health centers, clinics, special programs for special populations and other essential public health facilities that serve underserved populations that otherwise lack the financial means to pay for their health care; and (2) that any national legislation for health system reform include sufficient and continuing federal funding for special programs, including the National Health Service Corps, to enhance the recruitment and retention of physicians for practice in underserved areas. (Res. 124, A-94)

### **H-200.959 Support for the Funding of the National Health Service Corps**

The AMA supports the continuation of funding to the National Health Service Corps at least at the level originally appropriated in 1995. (Res. 241, A-95, Reaffirmed: I-00)

#### **H-200.982 Significant Problem of Access to Health Care in Rural and Urban Underserved Areas**

The AMA (1) declares that the primary care physician shortage represents a significant problem of access to medical care in rural and urban underserved areas; and (2) encourages state legislatures and the Congress of the United States to recognize this significant problem and to develop rapidly incentives to make practice in rural and urban underserved areas more attractive to primary care physicians in order to provide access to necessary medical services in these areas. (Sub. Res. 35, I-90; Reaffirmed: BOT Rep. GG, I-92)

#### **H-200.983 Health Manpower**

It is the policy of the AMA to (1) use its influence to convince the Administration and Congress of the continuing need for federal support for the education and training of primary care physicians, including reauthorization of federal programs under Title VII to help meet manpower requirements for primary care physicians; (2) use its influence to encourage federal funding to promote educational and training opportunities for primary care and increase the field strength of the NHSC in medically underserved urban and rural areas; and (3) oppose further erosion of Medicare funding for graduate medical education and training programs. (Res. 112, I-90; Reaffirmed: BOT Rep. GG, I-92)

#### **H-200.984 National Health Service Corps Reauthorization**

It is the policy of the AMA: (1) to support legislative efforts to revitalize and reauthorize the NHSC; and (2) to undertake efforts to assure that such legislation include increased funding for recruitment and retention efforts and adequate funding for both the loan repayment and scholarship programs. (Res. 120, A-90, Reaffirmed: I-00)

#### **H-200.985 Increasing Support for Service in America's Inner Cities Through the National Health Service Corps**

Our AMA (1) urges the U.S. Public Health Service to earmark a certain percentage of repayment opportunities for the National Health Service Corps (NHSC) loans and scholarships for underserved inner-city facilities; and (2) supports increased funding for NHSC. (Res. 78, I-89; Reaffirmed: Sunset Report, A-00)

#### **H-200.989 National Health Service Corps**

The AMA believes that since a sufficient need for physician manpower is expected to continue to exist in certain areas of the U.S., continuation of assistance from the NHSC is justified. As long as this need continues, the AMA does not think it would be appropriate to deprive residents of certain areas of the U.S. of necessary medical services by diverting NHSC physicians to other countries. (CMS Rep. F, A-86; Reaffirmed: Sunset Report, I-96, Reaffirmed I-00)

## **Graduate Medical Education Funding**

#### **H-305.945 Funding of Graduate Medical Education**

The AMA: (1) supports the establishment of an authorization system yet to be specified (for example, a voucher system) to provide funding for the training program at the site where training occurs; (2) supports the development of a portable authorization system for use by US medical graduates, recognizing that the MD/DO degree is only a mid-point of formal medical education; (3) supports establishment of an authorization system which guarantees funding for US Medical Graduates and additional funding for International Medical Graduates on a competitive basis, based on limits set by the new public/private sector workforce planning group; (4) supports the development of alternative options for support of teaching hospitals to achieve fiscal stability with reductions in Medicare Indirect Medical Education Adjustment payments and to develop alternative approaches to provide patient services previously provided by resident physicians; (5) encourages the use of international assistance funds to provide for appropriate US training for physicians from other countries to increase the level of medical care in their

home countries; and (6) supports efforts to allow completion of training of IMG graduates already in training who might be adversely affected by an authorization system. (CME Rep. 1, I-96; Reaffirmed by CME Rep. 13, A-97)

### **H-305.988 Cost and Financing of Medical Education and Availability of First-Year Residency Positions**

The AMA: (1) believes that medical schools should further develop an information system based on common definitions to display the costs associated with undergraduate medical education; (2) in studying the financing of medical schools, supports identification of those elements that have implications for the supply of physicians in the future; (3) believes that the primary goal of medical school is to educate students to become physicians and that despite the economies necessary to survive in an era of decreased funding, teaching functions must be maintained even if other commitments need to be reduced; (4) believes that a decrease in student enrollment in medical schools may not result in proportionate reduction of expenditures by the school if quality of education is to be maintained; (5) supports continued improvement of the AMA information system on expenditures of medical students to determine which items are included, and what the ranges of costs are; (6) supports continued study of the relationship between medical student indebtedness and career choice; (7) encourages students to seek out creative methods of financing; (8) believes medical schools should consider allowing more flexible scheduling to permit students leaves of absence to obtain gainful employment; (9) believes medical schools should avoid counterbalancing reductions in revenues from other sources through tuition and student fee increases that compromise their ability to attract students from diverse backgrounds; (10) urges all states to adopt AMA model legislation for loan programs to students; (11) supports continued analysis of current and proposed student loan programs to determine their characteristics and to identify alternatives; (12) supports continued federal government support of medical education; (13) supports continued state government support for medical education; (14) supports expansion of the number of affiliations with appropriate hospitals by institutions with accredited residency programs; (15) encourages for profit-hospitals to participate in medical education and training; (16) supports AMA monitoring of trends that may lead to a reduction in stipends paid to resident physicians; (17) believes that the cost of graduate medical education should be funded as an integral part of the financing of medical care; (18) encourages all sponsoring institutions to make financial information available to help residents manage their educational indebtedness. (CME Rep. A, I-83; Reaffirmed: CLRPD Rep. I-93-1; Res. 313, I-95; Reaffirmed by CME Rep. 13, A-97)

### **H-305.995 Funding for Medical Students**

The AMA: (1) reminds legislators and the public of the public interest in the quality of medical education and the training of students who will be the physicians of the future; (2) encourages state medical societies to urge state legislators to adequately fund and support the medical education systems in their states; (3) urges each medical school to publicize the cost of attending that medical school to prospective students and to the student advisors at the colleges and universities that are educating significant numbers of their pre-med students, where these can be identified; (4) continues to urge that medical schools make every effort to generate financial support from multiple and diverse sources in order to preserve reasonable self-determination; (5) urges medical schools to review the operations of their financial aid offices and make any changes that may seem appropriate and feasible that would assist medical students to find available funds, manage debt responsibly, and minimize abuse of programs that could discourage aid sources; and (6) urges medical schools, even as their budgets tighten, to consider the educational advantages of selecting able and motivated students who reflect an appropriate mix of the range of socioeconomic strata in America. (BOT Rep. JJ, I-81; Reaffirmed: Sunset Report, I-98)

### **H-305.959 Reduction in the Cost of Medical School Education**

The AMA will work with all appropriate bodies to study how the cost to students of medical education can be reduced significantly in coming years. (Res. 308, A-92)

### **H-305.966 Medical School Disclosure of Available Financial Aid Resources**

Our AMA encourages all medical schools to make available to prospective students information and statistics on their schools' available financial aid resources. (Res. 262, A-90; Reaffirmed: Sunset Report, I-

00) The following language from CME Report 2 I-00 was adopted at the Interim Meeting in Orlando:

1. That Policy H-305.989, which states that "students should not be denied an opportunity to undertake medical education because of a lack of funds," be reaffirmed. (Reaffirm HOD Policy)
2. That Policies H-305.978, H-305.980, H-305.961, dealing with creating more favorable conditions for loan repayment, and Policies H-200.959, H-200.984, and H-200.989, dealing with adequate funding for the National Health Service Corps, be reaffirmed. (Reaffirm HOD Policy)
3. That the Board of Trustees of our American Medical Association (AMA) pursue the introduction of member benefits to help medical students, resident physicians, and young physicians manage and reduce their debt burden. This should include consideration of the feasibility of developing web-based information on financial planning/debt management; introducing a loan consolidation program, automatic bill collection and loan repayment programs, and a rotating loan program; and creating an AMA scholarship program funded through philanthropy. The AMA also should collect and disseminate information on available opportunities for medical students and resident physicians to obtain financial aid for emergency and other purposes. (Directive to Take Action)
4. That our AMA vigorously advocate for ongoing, adequate funding for federal and state programs that provide scholarship or loan repayment funds in return for service, including funding in return for practice in underserved areas, participation in the military, and participation in academic medicine or clinical research. Obtaining adequate support for the National Health Service Corps and similar programs, tied to the demand for participation in the programs, should be a focus for AMA advocacy efforts. (Directive to Take Action)
5. That our AMA collect and disseminate information on successful strategies used by medical schools to cap or reduce tuition. (Directive to Take Action)
6. That our AMA encourage medical schools to provide yearly financial planning/debt management counseling to medical students. (Directive to Take Action)
7. That our AMA urge the Accreditation Council for Graduate Medical Education (ACGME) to revise its Institutional Requirements to include a requirement that financial planning/debt management counseling be provided for resident physicians. (Directive to Take Action)
8. That our AMA work with other organizations, including the Association of American Medical Colleges, residency program directors groups, and members of the Federation, to develop and disseminate standardized information, for example, computer-based modules, on financial planning/debt management for use by medical students, resident physicians, and young physicians. (Directive to Take Action)
9. That our AMA work with other concerned organizations to promote legislation and regulations with the aims of increasing loan deferment through the period of residency, promoting the expansion of subsidized loan programs, eliminating taxes on aid from service-based programs, and restoring tax deductibility of interest on educational loans. (Directive to Take Action)
10. That Policy H-310.934, which states that the AMA elevate the issue of medical student debt to one of the top several legislative priorities on its agenda, and that policy H-305.946, which states that the AMA encourage society and payers of health care to recognize the cost of medical education and develop a stable funding source specifically dedicated to support the education of medical students, be reaffirmed and that the BOT report at I-01 on proactive measures the AMA has taken to implement these policies.

## Loan Repayment

### **H-305.950 Fairness in Publication of Names of Loan Defaulters**

The AMA opposes the selective publication of names of defaulters on federally funded student loans. (Res. 309, A-94)

### **H-305.982 Student Loan Repayment Defaults**

The AMA encourages the HHS Inspector General to pursue all legal avenues within his jurisdiction to withhold Medicare and Medicaid reimbursements, research grant awards, and salaries or stipends from physicians who have defaulted on repayments of student loans, unless a physician can prove hardship.

(Sub. Res. 69, A-85; Reaffirmed by CLRPD Rep. 2, I-95)

#### **H-305.989 Financial Assistance for Medical Students**

(1) Our AMA continues to urge the public, legislators, constituent medical societies and medical schools to consider the importance of attracting the best students to pursue medicine as a career. (2) Physicians who have outstanding educational loans and medical student borrowers are urged to meticulously meet the repayment responsibilities assumed with each student loan. (3) Our AMA believes that the best students should not be denied an opportunity to undertake medical education because of a lack of funds. (BOT Rep. O, A-83; Reaffirmed: CLRPD Rep. I-93-1; Reaffirmed: CME Rep. 2, I-00)

#### **H-305.991 Repayment of Educational Loans**

The AMA (1) believes that it is improper for any physician not to repay his or her educational loans; (2) urges increased efforts to collect overdue debts from the present medical student loan programs in a manner that would not interfere with the provision of future loan funds to medical students; and (3) encourages medical school financial aid officers to counsel individual medical student borrowers on the status of their indebtedness and payment schedules prior to their graduation. (Sub. Res. 47, A-83; Reaffirmed: CLRPD Rep. I-93-1)

### **Medical Education: Financing and Support**

[Policies in AMA Policyfinder](#)

#### **CME Reports**

- [Council on Medical Education Report 2 \(I-00\): Medical School Financing, Tuition, and Student Debt](#)
- [Council on Medical Education Report 3 \(I-01\): Medical School Financing and Student Debt - A Progress Report](#)
- [Council on Medical Education Report 2 \(I-02\): Strategies to Address Medical School Tuition Increases](#)

#### **Other/General**

##### **H-305.992 Student Loans**

The AMA supports efforts to secure public and private funds at reasonable interest rates for student loans. (Sub. Res. 83, I-82; Reaffirmed: CLRPD Rep. A, I-92)

##### **H-305.954 Repayment of Medical School Loans**

Our AMA: (1) will work with the Health Resources and Services Administration and other interested parties to develop mechanisms for increasing financial aid opportunities for medical students, including the loan repayment option if feasible; and (2) further develop and more aggressively publicize a low interest and extended payment loan program for young physician members of the AMA to assist them in retiring their educational debts. (CME Rep. O, A-93; Appended: Res. 610, I-98)

##### **H-310.934 Medical Student Debt**

Our AMA: (1) continues to recognize the seriousness of the problem of the expanding burden of Medical Education related debt; (2) shall elevate this issue to one of the top several legislative priorities on its agenda; and (3) continues to recognize the serious problem of the expanding burden of medical education related debt. (Res. 304, A-98; Appended: Res. 306, I-99; Reaffirmation, A-00; Reaffirmed: CME Rep. 2, I-00)

##### **H-305.946 The Ecology of Medical Education: Financing Undergraduate Medical Education**

The AMA: (1) encourages society and payers of health care to recognize the cost of medical education and develop a stable funding source specifically dedicated to support the education of medical students;

(2) encourages medical schools to develop systems to more closely link revenues and teaching expenditures so faculty can receive explicit reimbursement for assisting the medical school in fulfilling its educational mission; and (3) along with medical schools and other interested groups, will work toward development of a system similar to CPT codes for education with funding from a stable source. (CME Rep. 6, I-96; Reaffirmed: CME Rep. 13, A-97; Reaffirmed: BOT Rep. 7, A-99)

#### **H-305.973 Financing Undergraduate Education**

(1) The pluralistic system of financial support for undergraduate education for the health professions should be maintained. (2) The federal government should continue its support of undergraduate education for the health professions, especially to enhance access to the professions for minority and disadvantaged students and to supply professionals to underserved areas. The role of the Armed Forces, the Public Health Service and the Veterans Administration in health professions education is important and should be continued. State and local governments should continue to support undergraduate programs of education for the health professions. (3) Public and private programs of undergraduate education for the health professions should actively solicit contributions from alumni and from private foundations. (4) While income from patient care should be used to support undergraduate educational programs for the health professions, disproportionate reliance on this source of funding should be avoided. (5) Undue reliance on tuition and fees to support undergraduate education for the health professions should be avoided. (6) Undergraduate programs for health professions education should consider financial aid trust funds as a means of increasing funding for student financial aid, including scholarships. (BOT Rep. NN, A-87; Modified: Sunset Report, I-97)

#### **H-305.938 Use of Social Security Numbers in Student Loan Accounts**

Our AMA will work with student loan servicers and other associated agencies to end the use of Social Security Numbers as account numbers. (Res. 302, I-98)

#### **H-305.941 Recognizing Dependent Care Expenses in Determining Medical Education Financial Aid**

AMA policy is to pursue changes to federal legislation or regulation, and specifically to the Higher Education Act, to change the cost of attendance definition for medical education to include costs for food, shelter, clothing and health care for all dependents, and for dependent care. (Res. 205, I-97)