



Michael D. Maves, MD, MBA, Executive Vice President, CEO

September 28, 2007

The Honorable Harry Reid
Majority Leader
United States Senate
The Capitol, S-221
Washington, DC 20510

Dear Majority Leader Reid:

I am writing to express strong objections to the revision of the economic hardship definition in the “College Cost Reduction and Access Act” (H.R. 2669), that will jeopardize the financial stability of a substantial number of our nation’s resident physicians. This new law eliminates the economic hardship deferment qualification criterion, that most medical residents rely upon, to defer huge 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. According to the Association of American Medical Colleges (AAMC), 67 percent of medical residents qualify for economic hardship deferment under the 20/220 eligibility criterion. 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. **Moreover, with an unrealistic effective date of October 1, 2007, medical residents may not have adequate time to arrange for an immediate loan repayment plan. With this immediate effective date, the rules are being changed midstream, which does not provide residents enough time to restructure their repayment plans.**

The Act also creates an income-based repayment program. The average debt burden for medical school graduates is \$130,571 and the average first-year stipend for a medical resident is \$43,266. Under the income-based repayment program, a medical resident in a single-person household would be required to make monthly payments of \$349 beginning as a first-year resident. Under the "20/220 pathway," medical residents could defer payment for up to 3 years. 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.

Such a debt is a significant hardship throughout the loan repayment period, especially during the three to seven years of training in residency programs. Many residents pursue their training in urban areas where the cost of living is high. The high debt burden that many medical graduates face often influences their 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.

There is a growing consensus that the United States faces a future shortage of physicians. In its last report in 2005, the Council on Graduate Medical Education (COGME) predicted a shortage of 85,000 physicians by the year 2020. Complicating student debt burden repayment would further deter students from pursuing a career in medicine.

We strongly urge 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 drastic 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.

Thank you in advance for your attention to this urgent matter.

Sincerely,

A handwritten signature in black ink that reads "Mike Maves". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Michael D. Maves, MD, MBA