AMA student guide to advocacy

Protect public service loan forgiveness

The federal Public Service Loan Forgiveness (PSLF) Program was created in 2007 and offers **full** forgiveness on the remaining loan balance for non-profit employees after 120 qualifying payments or roughly 10 years.

While this program is available for a wide range of non-profit employees, PSLF is especially important for medical students and patients since it helps encourage physicians to enter public service and serve in rural or remote areas. Capping PSLF may prevent medical students from pursuing a career in public service and ensuring patient access to care.

President Obama's 2017 budget proposes to cap PSLF at $57,500, which amounts to less than one year of medical school. As of 2015 the average medical student debt is $180,723 with 45 percent of medical students graduating with debt balances of more than $200,000, according to the Association of American Medical Colleges. The high cost of medical school is also the greatest deterrent for minority and socio-economically disadvantaged students from attending medical school.

Many residents in teaching hospitals can qualify for PSLF. As public servants, these residents help care for the nation's underserved and extend the reach of attending physicians to vulnerable populations (including Medicare patients). Residents provide indispensable patient care services and deliver charity care to patients who cannot afford it.

Our ask: *Protect PSLF to ensure that current and prospective students can receive full loan forgiveness through this program.*

Save graduate medical education

The United States is facing a shortage of physicians, which is expected to get exponentially worse as the population continues to grow and our aging physician workforce moves toward retirement. It is projected that by 2025 there will be 90,000 fewer physicians than the country needs. Since it takes more than seven years to train a doctor, we need to act now to address this shortage.

Teaching hospitals make up 6 percent of hospitals but provide approximately 40 percent of hospital charity care. This is possible because residents provide care for 1 in 5 hospitalized patients, including our seniors, veterans and patients in underserved communities.

Although medical schools have expanded to accommodate more students, there is an insufficient number of residency training positions available due to inadequate graduate medical education (GME) funding. This means students may go all the way through medical school and have nowhere

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to complete their training after graduation. In 2015 this happened to more than 600 U.S. medical student graduates.

The American Medical Association supports legislation that would expand GME positions to address the physician shortage.

- Resident Physician Shortage Reduction Act of 2015 (H.R. 2124/S. 1148) would create 15,000 new positions over five years

- Creating Access to Residency Education (CARE) Act of 2015 (H.R. 1117) would establish $25 million in matching grants to fund new positions in states with low ratios of residents

Our ask: *Save GME. Maintain federal funding levels for GME and support legislation that seeks to expand residency programs.*

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Student debt and protecting the Public Service Loan Forgiveness Program

Medical students carry some of the highest educational debt burdens in the United States. The average medical student graduates with more than $180,000 in educational debt. In fact, 84 percent of medical students have some student debt, and 45 percent carry burdens of more than $200,000. Despite having a default rate of less than 1 percent, medical students borrow at higher interest rates and, as a result, repay more per dollar borrowed than undergraduates. Medical school remains the most expensive post-secondary education in the United States. with a median yearly cost of attendance of $57,821 at a public institution.

While ultimately a good investment, this financial burden can be daunting to prospective medical students. The high cost of attendance is often a deterrent for minority and socio-economically disadvantaged students. These high costs may also prevent graduates from working in underserved areas or pursuing a career in primary care.

Public Service Loan Forgiveness
The federal Public Service Loan Forgiveness (PSLF) Program was created in 2007 and offers **full** forgiveness on the remaining loan balance for non-profit employees after 120 qualifying payments or roughly 10 years. PSLF is important for medical students and patients since it helps encourage physicians to enter public service and serve in rural or remote areas. Most teaching hospitals qualify as non-profit organizations; hence, many medical students can enter the program during residency. As public servants, these residents help care for the nation's underserved and extend the reach of attending physicians to vulnerable populations (including Medicare patients). Residents provide indispensable patient care services and deliver charity care to patients who cannot afford it.

What are the concerns?
The Higher Education Act (HEA) is the federal law that governs the administration of federal student aid programs. It must be re-approved, or **reauthorized**, by Congress approximately every five years in order to encourage change and growth in the education system. Congress hopes to propose a reauthorization package in the near future, which could mean many changes for medical students.

President Obama's 2017 budget proposes to cap PSLF at $57,500, which amounts to less than one year of medical school. Reducing the amount of loan forgiveness fails to account for the majority of medical students who face over $180,000 in debt. Meanwhile, 40 percent of medical students hope to enter public service and plan to use loan forgiveness programs to offset their high debt burdens.

Capping PSLF may deter medical students from pursuing a career in public service. Most importantly, it could impact patient access to care in underserved areas, community health centers, rural health centers and state-run clinics that often recruit new physicians through this program.

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Our ask: Protect PSLF to ensure that current and prospective students can receive full loan forgiveness through this program.

Questions to consider when telling your story

1. Are you taking on a large amount of student debt with the intention of entering PSLF when you graduate?
2. Are you hoping to work in public service and are you depending on PSLF to make that possible?
3. Is the ability to have loan forgiveness through PSLF a driving factor for your specialty choice in primary care?
4. What would be the financial consequences to you and your family if loan forgiveness was cut or eliminated?
5. How will PSLF enable you to help others and serve your community

AMA student guide to advocacy
Breaking down the Public Service Loan Forgiveness Program

The Public Service Loan Forgiveness (PSLF) Program was created by Congress as a part of the College Cost Reduction and Access Act of 2007. The intent was to relieve the pressure of high student loan debt for borrowers who want to work in public service, where pay is often lower than in the private sector.

Who qualifies?
Employees of government organizations at any level (federal, state, local or tribal) and employees of not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Employees of other not-for-profit organizations may qualify, depending on the type of service the organization provides. Most teaching hospitals will qualify under these requirements.

What types of loans qualify?
A qualifying loan for PSLF is any loan you received under the William D. Ford Federal Direct Loan (Direct Loan) Program. Loans made under the Federal Family Education Loan (FFEL) Program or the Federal Perkins Loan (Perkins Loan) Program do not qualify.

You can consolidate FFEL and Perkins Loans into a Direct Consolidation Loan, which may qualify for PSLF. However, only qualifying payments that you make on the new Direct Consolidation Loan can be counted toward the 120 payments required for PSLF. If you consolidate existing Direct Loans with the other loans, you will lose credit for any qualifying PSLF payments you made on your Direct Loans before they were consolidated. To avoid this, you may want to keep your Direct Loans separate and only consolidate the other types of loans.

What is a qualifying payment?
To qualify for loan forgiveness students must first make 120 qualifying payments on their Direct Loans, usually this amounts to 10 years.

A qualifying monthly payment is a payment that you make:
- After Oct. 1, 2007
- Under a qualifying repayment plan that includes all federal income-driven repayment plans and the 10-year Standard Repayment Plan
- For the full amount due as shown on your bill
- No later than 15 days after your due date
- While you are employed full-time by the PSLF qualifying employer

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It is also important to know that a payment will not qualify while your loans are in in-school status, grace period, deferment, forbearance or default. Additionally, you can only receive credit for one payment per month, no matter the payment amount.

Other important information to know

You can contact your Loan Servicer at any time for assistance in navigating the PSLF program. The Department of Education has also created the Employment Certification for Public Service Loan Forgiveness form (Employment Certification form) that you can submit periodically while you are working toward meeting the PSLF eligibility requirements.

You will **not** receive forgiveness automatically after your 120th qualifying payment. You will need to submit the PSLF application to receive loan forgiveness. The first borrowers will become eligible for PSLF in October 2017, and the application will be available prior to that date. You must be working for a qualified public service organization at the time you submit the application for forgiveness and at the time the remaining balance on your loan is forgiven.

Source: https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service

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Student loan repayment: Options at a glance

I. Identify your student loan repayment goal: Minimize total repayment cost or minimize monthly payments

When choosing a repayment plan, remember that lower payments today may mean higher payments tomorrow and ultimately more interest paid over the life of the loan. You must decide for yourself whether the additional long-term cost of forbearance is a good trade-off for additional discretionary income during residency.

II. Learn your repayment plan options

Because the individualized circumstances relevant to repayment options (current and anticipated future income, loan balances, interest rates, length of residency, family size, etc.) vary widely from borrower to borrower, it is not possible to make an across-the-board comparison of the various repayment options. Instead, the advantages and disadvantages of each repayment option must be weighed with each borrower's unique situation in mind.

Below is a list of traditional and income-driven repayment options for federal loans.

III. Choose a repayment plan and file the requisite paperwork

Contact your loan servicer for additional guidance and for more detail on how to change your repayment plan. You should also consider if changes in your salary or job will impact your repayment plan.

Overview of Direct Loan and Federal Family Education Loan (FFEL) Program repayment plans[1]

Repayment plan	Eligible loans	Monthly payment and time frame	Eligibility
Standard Repayment Plan	Direct and Stafford loans (Subsidized and unsubsidized) All PLUS loans All Consolidation loans (Direct or FFEL)	Payments are a fixed amount. Up to 10 years (30 years for consolidation loans).	All borrowers are eligible for this plan. This plan ensures you pay less over time.
Graduated Repayment Plan	Same as Standard Repayment Plan	Payments are lower at first then increase, usually every two years. Up to 10 years (30 years for Consolidation loans).	All borrowers are eligible for this plan. Under this plan, you'll pay more over time than under the Standard Plan.
Extended Repayment Plan	Same as Standard Repayment Plan	Payments may be fixed or graduated. Up to 25 years.	If you're a Direct Loan or FFEL Program borrower, you must have more than $30,000 in outstanding loans. Your monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan, but you will pay more over time.

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Revised Pay As You Earn Repayment Plan (REPAYE)	Direct Subsidized and unsubsidized loans Direct PLUS loans made to students **Direct Consolidation loans** that do not include PLUS loans (Direct or FFEL) made to parents	Monthly payments will be 10% of your **discretionary income**, payments are recalculated each year. If you're married, both you and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). Any outstanding balances on your loan will be forgiven after 20 or 25 years.*	Any Direct Loan borrower with an eligible loan type may choose this plan. Your monthly payment can be more than the 10-year Standard Plan amount.
Pay As You Earn Repayment Plan (PAYE)	Direct Subsidized and unsubsidized loans Direct PLUS loans made to students Direct Consolidation loans that do not include PLUS loans (Direct or FFEL) made to parents	Your maximum monthly payments will be 10% of discretionary income, payments are recalculated each year. If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return. Any outstanding balance on your loan will be forgiven after 20 years.*	You must be a **new borrower** on or after Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011. Your monthly payment will never be more than the 10-year Standard Plan amount, but you will pay more over time.
Income-Based Repayment Plan (IBR)	Direct Subsidized and unsubsidized loans Subsidized and unsubsidized Federal Stafford Loans All PLUS loans made to students Consolidation loans (Direct or FFEL) that do not include Direct or FFEL PLUS loans made to parents	Your monthly payments will be 10% or 15% of your discretionary income, payments are recalculated each year. If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return. Any outstanding balance on your loan will be forgiven after 20 or 25 years.*	You must have a high debt relative to your income. Your monthly payment will never be more than the 10-year Standard Plan amount, but you will pay more over time.
Income Contingent Repayment Plan (ICR)	Direct subsidized and unsubsidized loans Direct PLUS loans made to students Direct Consolidation Loans	Monthly payment: 20% of discretionary income or the amount you'd pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income. Payments are recalculated each year. If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay jointly. Any outstanding balance will be forgiven after 25 years.	Any Direct Loan borrower with an eligible loan type may choose this plan. Your monthly payment can be more than the 10-year Standard Plan amount. Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a **Direct Consolidation Loan**.

* You may have to pay income tax on the amount that is forgiven under these programs.

Definitions

Discretionary income: Portion of an entity's income available for saving, or spending on non-essentials. It is what remains after expenses for basics (such as food, clothing, shelter, utilities) and prior commitments (such as school fees and loans) are deducted from the disposable income.[2]

Direct Consolidation Loan: A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will have to make only one payment each month on your federal loans, and the amount of time you have to repay your loan will be extended.[3]

New borrower: Someone who has no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL) Program loan when he or she receives a Direct Loan or FFEL Program loan on or after a specific date.[4]

1 Information derived from Federal Student Aid at https://studentaid.ed.gov/sa/repay-loans/understand/plan
2. Business Dictionary (2016). Discretionary income. Available at: http://www.businessdictionary.com/definition/discretionary-income.html. Accessed Feb. 11, 2016.
3. Federal Student Aid, Glossary. Direct Consolidation Loan. Available at: https://studentaid.ed.gov/sa/glossary#Direct_Consolidation_Loan. Accessed Feb. 11, 2016.
4. Federal Student Aid, Glossary. New Borrower. Available at https://studentaid.ed.gov/sa/glossary#letter_n. Accessed February 11, 2016.