

Graduate Medical Education

Regarding **Graduate Medical Education**, ACOFP is advocating for Direct and Indirect Medical Education funding, developing loan programs to hospitals to begin residency programs in primary care, creating avenues for utilization of Volunteer Faculty, supporting Title VII and other medical education programs as well as promoting residency opportunities in Community Health Centers and in concert with partnerships with Colleges of Osteopathic Medicine and the Veterans Administration.

January 08

Economic Hardship Deferment

Effective October 1, 2007, The "College Cost Reduction and Access Act of 2007" (P.L. 110-84) changed the definition of economic hardship, eliminating the debt-to-income ratio that allowed most medical residents to qualify. P.L. 110-84 also authorized a new income-based loan repayment program that would not be effective until July 1, 2009. Recent medical school graduates, including the entire class of 2008, would not be covered under either program during this transition period.

Economic Hardship Deferment eligibility is determined by the borrower's debt-to-income ratio. This ratio, referred to as the 20/220 pathway, is the borrower's federal education debt burden (calculated as the required monthly payment) must be equal to or greater than 20 percent of the borrower's monthly income (the borrower must be employed full time). The borrower's income minus the education monthly payment must be less than 220 percent of either the minimum wage rate or the federal poverty line for a family of two. Association of American Medical Colleges estimates that a medical resident making the average first year resident stipend of \$43,266, at the current fixed 6.8 percent interest rate, would need approximately \$102,711 in federal education debt to qualify for this deferment.

On November 1, the U.S. Department of Education (DOE) published the final rule on P.L. 110-84. Under the authority of the Secretary, the 20/220 pathway will continue through at least fall 2008. Through the rule, the DOE specifically revised sections of Title 34 of the Code of Federal Regulations in a manner which does not alter the language regarding the 20/220 pathway, but incorporates some of the other changes issued in the "College Cost Reduction and Access Act." The current 20/220 pathway to economic hardship deferment remains in place until a negotiated rule-making process can occur, which will not be completed until fall of 2008. Therefore, all fourth year medical students and current residents will continue to be eligible for hardship deferment under the 20/220 pathway over the next year.

All federal student loans have a grace period, usually six months, following graduation before entering the repayment phase. At that point, borrowers may apply for a deferment of payments on their education loans for certain reasons, including economic hardship.