American College of Emergency Physicians®

EMRA

February 6, 2023

The Honorable Miguel Cardona
Secretary
U.S. Department of Education
Department of Health and Human Services
400 Maryland Avenue, SW
Washington, DC 20202

RIN 1840-AD81

Re: Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program

Dear Secretary Cardona:

On behalf of the physicians and residents of the American College of Emergency Physicians (ACEP) and the Emergency Medicine Residents' Association (EMRA), we appreciate the opportunity to comment on the "Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program" proposed rule.

ACEP is the national medical society representing emergency medicine. Through continuing education, research, public education, and advocacy, ACEP advances emergency care on behalf of its 40,000 emergency physician members, and the more than 150 million people they treat on an annual basis. The Emergency Medicine Residents' Association (EMRA) is the voice of emergency medicine physicians-in-training and the future of our specialty. EMRA is the largest and oldest independent resident organization in the world. EMRA was founded in 1974 and today has a membership over 16,000 residents, medical students, and alumni.

ACEP and EMRA strongly support the Department of Education's continued efforts to reform its student loan portfolio, including the intent of the proposed changes in this Notice of Proposed Rulemaking (NPRM), which seeks to help ensure that student loan borrowers have greater access to affordable repayment terms based upon their income, resulting in lower monthly payments and lower amounts repaid over the life of a loan. The proposed regulations attempt to standardize and clarify existing student loan regulations (including changes to the terms of the plans themselves), refine sections of the regulations that may be ambiguous to reflect the Department's long-standing interpretation of those regulations, and simplify the procedures and terms of the existing plans.

The Income Driven-Repayment (IDR) system was created more than two decades ago in response to growing concerns around student debt and to protect student loan borrowers from financial hardship by providing them with an option to continue repaying their debt, while also lowering their monthly payments depending on income levels. Unlike the standard 10-year repayment plan that borrowers are automatically placed into and under which they pay the same amount for each installment period, a student loan holder must affirmatively choose to enroll in an IDR plan and recertify their income every year to continue in the program. Currently, there are about 13 million borrowers enrolled in the various IDR plans administered by the Department of Education.[1]

Though the intent of the IDR system is to protect student loan borrowers from the harmful financial effects of unaffordable debt by ensuring that debt does not remain a burden throughout their lives, since the enactment of the first IDR program nearly 25 years ago, of the approximately two million borrowers who have been eligible to have their loans canceled through an IDR plan, just 32 have ever received forgiveness.[2] Thus, we are supportive of the Department's proposals to restructure income-contingent repayment plans to enhance simplicity and standardization through streamlining of the regulations, reducing complexity in the student loan repayment system, and eliminating burdensome and confusing recertification regulations for borrowers using IDR plans.

We are especially pleased with the Department's proposal to not charge any remaining accrued interest to a borrower's account each month after applying a borrower's payment for the REPAYE plan to protect against negative amortization. Due to the method of calculating payment amounts under current IDR plans, most borrowers only pay a portion of their interest each month without paying down the underlying principal. Any unpaid interest is then added to that principal, which increases the overall outstanding amount due. Interest is then charged on that higher principal balance, increasing the overall cost of the loan. With the monthly payment not enough to cover the full interest, the balance negatively amortizes, causing the amount owed to increase even while payments are made.

We acknowledge the Department's assessment that the current structure of IDR plans' risks discourages borrowers from selecting the plans in the first place or from continuing to pay on them due to loan balance growth, as many, particularly graduate degree holders, feel they are trapped in an unending debt cycle, as they have higher interest rates and lack access to federal subsidized loans. We agree with the Department's assessment that the elimination of accrued interest to the borrower's payment would simplify and encourage repayment.

Overall, ACEP and EMRA are supportive of the intent of the proposals to increase the amount of income protected as nondiscretionary from the monthly IDR payment calculation, reduce the percentage of discretionary income expected to go toward student loan payments, and allow pre-consolidation payments to count as payments toward forgiveness. However, we do request that the Department:

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[1] U.S. Department of Education. Office of Federal Student Aid. Federal Student Loan Portfolio. Retrieved from: https://studentaid.gov/datacenter/student/portfolio.

[2] National Consumer Law Center Student Loan Borrower Assistance & Student Borrower Protection Center. (March 2021). Education Department's Decades-Old Debt Trap: How the Mismanagement of Income-Driven Repayment Locked Millions in Debt. Retrieved from: https://protectborrowers.org/wp-content/uploads/2021/03/IDR-Brief-NCLC-SBPC.pdf.

1. Set the discretionary income threshold for determining monthly payments at 5 percent for both undergraduate and graduate loans; and
2. Set a maximum of a 20-year or lower repayment schedule until debt forgiveness for both undergraduate and graduate borrowers for all IDR plans in the Department's portfolio.

Under the proposed rule, student loan borrowers with only undergraduate loans will pay no more than 5 percent of their discretionary income monthly. However, borrowers with only graduate debt will have monthly payments set at 10 percent of their discretionary income, while those with both types of loans will have their percent of discretionary monthly income determined by a weighted average, between 5 and 10 percent, of their undergraduate and graduate debt. Similarly, borrowers whose original principal balances were $12,000 or less will qualify for forgiveness after 10 years and each additional $1,000 of borrowing will add an additional year until forgiveness. This would be up to a maximum of 20 years for undergraduate borrowers, but a maximum of 25 years for graduate borrowers, the same as currently required under the REPAYE plan.

The ongoing shortage of health care workers, especially including those that require a graduate degree for entry-level positions, like physicians, is well-documented. The Association of American Medical Colleges (AAMC) projects a shortage of between 17,800 and 48,000 primary care physicians and between 21,000 and 77,100 non-primary care physicians by 2034.[3] Health care worker shortage leads to unsafe staffing practices, overworked health care professionals, delays in care, hospital bed shortages, and an overall reduction in quality of patient care. The workforce challenges are particularly acute in rural and underserved communities. ***Due to the shortage of graduate-level health care workers and its impact on patient care, the changes proposed to benefit borrowers with undergraduate student loan debt should also be extended to graduate loan debt.***

Medical school debt is all too common across our emergency physician members and the physician community at large—and plays a major role in the decision of whether to enter medicine as a profession and ultimately what specialty to select. Seventy-three percent of medical school graduates have educational debt, and 43 percent have premedical education debt;[4] therefore, 30 percent of medical school graduates are only eligible for monthly payments set at ten percent of their discretionary monthly income and a 25-year repayment schedule. Exclusion of graduate loans from the 5 percent discretionary income threshold and the 20-year maximum repayment schedule would discourage both those who have undergraduate loan debt due to the guarantee of a monthly payment above the 5 percent threshold and who do not have undergraduate loan debt due to the guarantee of a monthly payment of ten percent.

If the rule is finalized as proposed, the amendments provide little additional financial incentive for prospective health care graduate students to enroll given the definiteness of a discretionary income threshold for determining monthly payments above 5 percent and a maximum repayment schedule of 25 years, as opposed to a 20-year repayment schedule for undergraduate loans. Therefore, the potential

[3] IHS Markit Ltd. *The Complexities of Physician Supply and Demand: Projections From 2019 to 2034*. Washington, DC: AAMC; 2021.

[4] Hanson, Melanie. "Average Medical School Debt" EducationData.org, November 22, 2022, https://educationdata.org/average-medical-school-debt.

mitigation of the shortage of postsecondary health care workers is hindered by the exclusion of graduate loans from the incentives given to undergraduate loans. Applying the same regulations to both undergraduate and graduate loans would encourage enrollment in graduate-level health care programs and encourage routine repayment on these loans. It may also have the ultimate effect of encouraging more individuals to go into primary care and work in underserved communities, as they will not have as a high a burden of medical school debt on their backs.

Thank you again for the opportunity to share our comments. If you have any questions, please contact Jeffrey Davis, ACEP's Director of Regulatory and External Affairs, at jdavis@acep.org.

Sincerely,

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