White Paper

American Association of Oral and Maxillofacial Surgeons

Student Debt and Loan Repayment

Student debt is considered by many stakeholders to be the next great threat to the American financial system as the average U.S. student loan debt has increased significantly over the last decade.[1] Medical and dental school costs have increased significantly over the same time period. For example, the average tuition, fees and health insurance costs for first-year medical students in 2022-23 was $51,238 for residents and $63,911 for non-residents, compared to $41,089 and $53,378, respectively, in 2013-14. This represents a 25 percent increase for residents and 20 percent increase for non-residents over the 10-year period.[2] The average tuition and fees for first-year dental students in 2021-22 was $53,242 for residents and $71,411 for non-residents, compared to $35,885 and $49,672, respectively, in 2011-12. This represents a 48 percent increase for residents and 44 percent for non-residents during the same time period.[3] Individuals such as oral and maxillofacial surgeons (OMSs), who enter fields that require postgraduate education and training, face excessive financial burdens. By the time many OMSs enter the workforce, they have accumulated more than $400,000 in student debt.

The American Association of Oral and Maxillofacial Surgeons (AAOMS) maintains educational debt plays a large role in postgraduate career planning that has implications for OMS patients, the country's healthcare system as well as the future of the specialty and the nation's economy. According to the American Dental Education Association (ADEA), more than half of dental school seniors graduating in 2016 said the perceived impact of educational debt influenced their decision to go into private practice immediately after graduation rather than pursuing careers in public service, academia or research.[4] Survey results comparing OMSs who completed residency in 2010 through 2012 and those who completed residency in 2017 or 2018 revealed increases in the percentage of respondents who said student debt impacted the type of practice they went into, their decision to start a family or buy a home.[5]

The United States has significant areas of underserved populations across the country. Despite this, resident OMSs may be deterred from practicing in underserved areas in favor of more lucrative metropolitan areas because they may believe underserved areas will not offer enough compensation to offset the cost of paying down their debt. This is equally true for those considering careers in academia and research. Such decisions leave patients in underserved areas without access to care and the specialty at risk of too few faculty to train future OMSs and researchers to develop new treatment modalities. In addition, OMSs with large student debt burdens may feel discouraged from buying a home, starting a family or buying into a practice as their ability to afford such things is uncertain when compared to the significant amount of debt they also must pay off.

Capping Loan Payments and Income-based Repayment Models

Student loan defaults and delinquencies frequently occur when a borrower's income does not match up with their student loan payments. This is illustrative of the typical OMS, who is tasked with repaying more than can be afforded within a given timeframe.

Capping student loan payments at a reasonable percentage of a borrower's current salary and using income-based repayment (IBR) models can offer solutions to this problem as they decrease the chances of a borrower becoming delinquent or defaulting on their loan(s). This saves OMS borrowers – and all other taxpayers – because IBR models not only allow loans to be paid back at a rate that properly matches income level but also make the loan repayment process easier for borrowers.

Halt Interest Accrual While in Forbearance or Deferment

Due to the low salaries earned during medical or dental residency training, the federal government allows such borrowers to qualify for loan deferment or forbearance while they are in a medical or dental residency. This means they are not obligated to make loan payments during this period. Because all graduate loans are unsubsidized, however, borrowers continue to accrue interest on their loans during the deferment/forbearance period. A typical OMS goes through a four-year residency program. If the average OMS has $350,000 in unsubsidized student loans after completing dental school at the current average graduate loan interest rate of 6 percent, **he or she will pay more than $90,000 of additional interest during four years in residency.** AAOMS supports legislation that would halt interest accrual while loans are in forbearance or deferment for those who qualify under the internship/residency category of either of these payment delay options.

Loan Forgiveness

Many existing student loan forgiveness programs for OMSs choosing careers in public service and research are not enticing. Programs such as the federal Public Service Loan Forgiveness Program[6] require too many consecutive years of repayment before forgiveness of the remaining loan balance is triggered and, typically, the actual amount forgiven is insignificant. Implementation of the program was so flawed that tens of thousands of borrowers were denied loan forgiveness, and the U.S. Department of Education announced in fall 2021 an overhaul of the program with the goal of increasing the forgiveness rate.[7]

Therefore, it is the position of AAOMS that if student loan repayment models offer borrowers loan forgiveness after either 1) a specified amount of years in good repayment standing or 2) for practicing in underserved areas/making a specific percentage of their practice comprised of underserved populations, then loan forgiveness should occur earlier in the repayment process – thereby removing OMS borrowers' fear of inadequate income while practicing in underserved areas or academic settings.

Fixing and Refinancing Student Loan Interest Rates; Consolidating Loans

Many OMSs with immense student loan debt have multiple student loans that each accrue interest at very high rates. On average, these rates fall between 6 to 8 percent. Some of these loan rates are variable, declining or increasing based on market forces outside borrower control. In such cases, it is often the accrued interest that makes repayment overwhelming. AAOMS supports student loan repayment reforms that guarantee 1) fixed student loan interest rates, 2) the capacity to refinance high interest rates (including multiple refinancing over the duration of the loan's repayment) and 3) the ability to consolidate multiple (including private) loans. Fixing interest rates prevents borrowers from paying interest amounts they likely did not agree to at their loan's outset. In addition, the ability to consolidate multiple loans and refinance the interest rate allows borrowers to repay loans more quickly and easily. OMS borrowers who avoid unmanageable interest rates and the duty to repay several loans simultaneously are more likely to practice in underserved areas, render pro bono services, offer an expanded scope of procedures and enhanced patient care, buy a home, have children and help stimulate the national economy.

Tax Deductions on Student Loan Interest

The federal government presently allows student loan borrowers whose income does not exceed a certain threshold to deduct a maximum of $2,500 from their taxes each year due to the interest that accrued over that duration on their student loan(s).[8] However, this deduction is not sufficient to equitably offset most OMS borrowers' debt burden. This is compounded by the fact that many OMS student loans have extraordinarily high interest rates. For these reasons, AAOMS supports allowing OMS borrowers to claim a greater, and thus more impactful, tax deduction on their student loan interest.

Conclusion

Better controlling healthcare costs and maintaining access to well-qualified healthcare providers requires a reduction in the student loan debt burden faced by those providers as they enter the workforce. Student loan debt reform would promote a more robust healthcare system and positively influence OMS patient care, the future of the specialty and the nation's economy.

References:

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2 *American Association of Medical Colleges. Tuition and Student Fees Report: 2006-2013 and 2013-2022. Available at: https://www.aamc.org/data-reports/reporting-tools/report/tuition-and-student-fees-reports. Accessed Dec. 12, 2022.*

3 *2021-22 Survey of Dental Education – Report 2: Tuition, Admission and Attrition. Available at: https://www.ada.org/resources/research/health-policy-institute/dental-education. Accessed Dec. 12, 2022.*

4 *Annual ADEA Survey of Dental School Seniors, 2016 Graduating Class: Table 24. Seniors' immediate plans after graduation by level of education debt.*

5 *Bruno, E, Zastrow, S, Covello, P, Hammer, D. The Resident Organization of the American Association of Oral and Maxillofacial Surgeons Debt Task Force Perspective on Educational Debt and the Impact on the Specialty of Oral and Maxillofacial Surgery. JOMS. 2019; 77:235-237. https://doi.org/10.1016/j.joms.2018.09.018.*

6 *U.S. Department of Education. Public Service Loan Forgiveness (PSLF). Available at: https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service. Accessed January 7, 2022.*

7 *U.S. Department of Education Announces Transformational Changes to the Public Service Loan Forgiveness Program, Will Put Over 550,000 Public Service Workers Closer to Loan Forgiveness; 2021. Available at: https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness. Accessed: January 7, 2022.*

8 *Internal Revenue Service. Topic No. 456 Student Loan Interest Deduction. Available at https://www.irs.gov/taxtopics/tc456. Accessed January 7, 2022.*

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