

April 26, 2017

Honorable Lamar Alexander
Chair, Senate Committee on
Health, Education, Labor and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

Honorable Patty Murray
Ranking Member, Senate Committee on
Health, Education, Labor and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Alexander and Ranking Member Murray:

We are writing to respectfully ask your committee to incorporate the following proposals in legislation to reauthorize the student assistance provisions (Title IV) in the Higher Education Act of 1965 (HEA), which provides the statutory authority for most federal student loan programs to operate.

- Lower the interest rates and origination fees on federal Direct Unsubsidized Stafford Loans.
- Reinstate eligibility for graduate and professional degree students to use federal Direct *Subsidized* Stafford Loans to finance their graduate education.
- Permit federal graduate student loans to be refinanced more than once so that new dentists can take advantage of lower interest rates when economic conditions are more favorable, as provided in H.R. 1614, the Student Loan Refinancing Act.
- Halt the accrual of interest while a student is completing an internship or residency and cap total amount of interest that can accrue overall.
- Extend the period of deferment until after new dentist has completed his or her medical/dental internship or residency.
- Simplify and add more transparency to the federal graduate student loan application process.
- Remove the barriers that prohibit those with private graduate student loans from taking advantage of federal student loan forgiveness/service payback programs.
- Encourage institutions of higher education and lenders to offer training to help students make informed decisions about how to finance their graduate education.

We are extremely concerned about the alarming levels of educational debt that dental students face at graduation. In 2016, the average educational debt per graduating dental school senior was \$219,463.¹ Factoring out the 16.3 percent of dental school seniors who graduated with no debt, the average debt per graduating dental school senior was \$262,119 (\$238,582 for graduates from public dental schools and \$291,668 for graduates from private and private state-related dental schools).^{2,3}

Educational indebtedness plays a role in postgraduate career decisions. Building a dental practice is an expensive endeavor, and banks are less likely to loan start-up funds to a new

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dentist who is already \$200,000 in debt. Indebtedness also creates a financial barrier for those wanting to pursue careers in public service, teaching, research and administration, and practice in underserved areas.

One way to help mitigate the extraordinary levels of educational debt is to lower the interest rates and other borrowing terms for federal student loans. Most dental students rely on federal student loans to finance their dental education. In 2016, nearly 70 percent (68.2) of graduating dental students reported using Direct Unsubsidized Stafford Loans (Direct Loans) to pay for dental school and, to a lesser extent, Federal Grad PLUS Loans (61.8 percent).⁴

While the interest rates and repayment terms for federal student loans are generally more favorable than private sector loans, the borrowing terms are still daunting. For example, the interest rate on Direct Loans taken out on or after July 1, 2013, could reach as high as 9.5 percent annually, depending on the prevailing interest on 10-year Treasury notes plus 3.6 percent.^{5,6}

Reducing the excessive burden of educational debt will make banks more open to loaning start-up funds for new dentists to open a dental practice. It will also remove barriers for those wanting to pursue careers in public service, teaching, research and administration.

Again, we urge you to include these proposals in legislation to reauthorize the HEA. If you have any questions, please contact Mr. Chris Tampio at the American Dental Association. Chris can be reached at 202-789-5178 or tampioc@ada.org.

Sincerely,

American Dental Association
Academy of General Dentistry
American Academy of Oral and Maxillofacial Pathology
American Academy of Pediatric Dentistry
American Academy of Periodontology
American Association for Dental Research
American Association of Endodontists
American Association of Oral and Maxillofacial Surgeons
American Association of Orthodontists
American Association of Women Dentists
American Dental Education Association
American Student Dental Association
National Dental Association

¹ Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 14. Average amount of educational indebtedness* of graduating dental students by all schools combined and by type of school, 1990 and 1996-2016.

² Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 17. Level of seniors' educational debt* by type of school, 2016.

³ Annual American Dental Education Association Survey of Dental School Seniors, 2016 Graduating Class: Table 18. Average graduating educational debt* of 1996–2016 graduates with debt, by type of school.

⁴ Annual ADEA Survey of Dental School Seniors, 2016 Graduating Class: Table 14. Type of loans reported by seniors, by percentage of total 2016 respondents.

⁵ 20 U.S.C. § 1087e.

⁶ The interest rate on Direct Loans taken out between July 1, 2006 and June 30, 2013, is fixed by law at 6.8 percent.