



## Student Loan Programs and the Higher Education Act

The Higher Education Act (HEA), which provides the statutory authority for most federal student loan programs to operate, is *several* years overdue for reauthorization. The American Dental Association (ADA) and the American Student Dental Association (ASDA) urge you to reauthorize the HEA as soon as possible. We also urge you to alleviate the exorbitant amounts of dental student debt by adhering to the following principles.

1. Protect the Direct Unsubsidized Stafford Loan (Direct Loan) and Grad PLUS loan programs for graduate and professional degree students.
2. Reinstate eligibility for graduate and professional degree students to use federal Direct *Subsidized* Stafford Loans, which is currently available to undergraduates only.
3. Lower the interest rate caps and the total amount of interest that can accrue and compound on Direct and Grad PLUS loans.
4. Extend the deferment period and halt the accrual of interest while a dentist is completing a medical/dental internship or residency, as provided in H.R. 1554, the Resident Education Deferred Interest Act (or REDI Act).
5. Permit federal graduate student loans to be refinanced whenever interest rates are lower and economic conditions are more favorable.
6. Lower the administrative fees and simplify (and add more transparency to) the federal graduate student loan application process.
7. Remove the barriers for individuals to take advantage of the Public Service Loan Forgiveness program, which forgives any remaining student debt after ten years of payments and qualifying public service.
8. Permit those with private graduate student loans to take advantage of federal student loan forgiveness programs.
9. Encourage institutions of higher education and lenders to offer training to help students make informed decisions about how to finance their graduate education.
10. Encourage collaborative approaches to handling borrowers who fail (or are at risk of failing) to fully repay their federal student loan(s) in the required time period.

Most dental students rely on federal student loans to finance their dental education. In 2017, over two-thirds (66.9 percent) of graduating dental school seniors reported using Direct Loans to pay for dental school and, to a lesser extent, Grad PLUS Loans (65.1 percent).<sup>1</sup> The default rate on dental student loans is extremely low, making them good investments for the federal government. In fact, most dentists pay back their loans much faster than other federal loan recipients.<sup>2</sup>

Unfortunately, educational debt is making the move from dental school to Main Street a daunting endeavor. In 2017, 84.5 percent of dental school seniors graduated with an average educational debt of \$287,331.<sup>3,4</sup> This catastrophic level of student debt is sometimes exacerbated by the interest rates on Direct Loans taken out on or after July 1, 2013, which could reach as high as 9.5 percent, depending on the prevailing interest on 10-year Treasury notes plus 3.6 percent.<sup>5,6</sup>



It is an uphill battle for a highly indebted young dentist to establish a career in an economy where over 50 percent of practicing dentists own or are partnered in a small business.<sup>7</sup> Lenders view early career individuals who are almost \$288,000 in debt as a higher credit risk, which makes it more difficult to invest in a group practice. The same is true for any highly indebted person trying to obtain a car or home loan, or even a credit card.

As a matter of public policy, reducing a new dentist's early career debt, even marginally, is a sound economic investment. For an early career dentist, a lower debt burden will make banks more open to lending funds to invest in a group practice and make other high value purchases. Moreover, a lower debt burden will remove barriers for those wanting to pursue careers in public service, teaching, research and administration early in their careers.

**Again, the ADA and ASDA urge you reauthorize the Higher Education Act as soon as possible with the above principles intact.**

### Information

Megan Mortimer  
Congressional Lobbyist  
American Dental Association  
mortimerm@ada.org  
202.898.2402

- 1 Annual ADEA Survey of Dental School Seniors, 2017 Graduating Class: Table 13. Type of loans reported by 2017 graduating seniors, by percentage of respondents (N=4,888).
- 2 "Health care & medical students who graduate with a large amount of debt are less likely to default on their student loans," *National Journal Research*, 2018.
- 3 Annual American Dental Education Association Survey of Dental School Seniors, 2017 Graduating Class: Table 10. Level of 2017 graduating seniors' educational debt by type of school.
- 4 Annual American Dental Education Association Survey of Dental School Seniors, 2017 Graduating Class: Table 11. Average graduating educational debt of 1996-2017 graduates with debt, by type of school.
- 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.
- 7 ADA Health Policy Institute Survey of Dental Practice (1999-2009) and Distribution of Dentists Survey (2010-2017).