AMERICAN ASSOCIATION OF
COLLEGES OF OSTEOPATHIC MEDICINE

OFFICE OF THE PRESIDENT

August 1, 2016

The Honorable John King
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Via electronic submission at regulations.gov

Re: Comment on Notice of Proposed Rulemaking, Borrower Defense to Repayment Regulations, Docket ID ED-2015-OPE-0103

Dear Secretary King:

On behalf of the American Association of Colleges of Osteopathic Medicine (AACOM), I am pleased to offer comments on the U.S. Department of Education's recent Notice of Proposed Rulemaking (NPRM) on borrower defense to repayment.

AACOM represents the 33 accredited colleges of osteopathic medicine in the United States. These colleges deliver instruction at 48 teaching locations in 31 states. Six of the colleges are public and 27 are private institutions. In the 2015-2016 academic year, these colleges are educating almost 26,100 future physicians—more than 20 percent of all U.S. medical students.

AACOM supports the Department in its goal to protect student borrowers and promote principles of accountability in the Title IV student financial aid programs. We also recognize that appropriate oversight is a fundamental function of the Department to ensure that federal funding is properly allocated. However, we believe that the NPRM's universal standards for borrower defense to repayment will have unintended and harmful consequences as currently written. Therefore, we urge the Department to significantly revise the proposal to take into account the unique characteristics of medical education. Furthermore, we support the attached comments of our member institution, Rocky Vista University College of Osteopathic Medicine (RVUCOM), urging an alternative reporting structure that would provide correct and accurate loan repayment information.

AACOM's member institutions pride themselves on exceptional graduate and residency placement rates. These institutions also maintain remarkably low default rates. Furthermore, osteopathic medical education has a proud heritage of both working to address the physician workforce shortage, especially in rural and/or in underserved areas, and producing primary care physicians. In fact, the mission statements of the majority of osteopathic medical schools state plainly that their purpose is the production of primary care physicians. Osteopathic medical tradition teaches that a strong foundation in primary care makes for a better physician, regardless of that physician's eventual specialization.

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According to the most available data, 31 to 33 percent of graduates indicate intent to specialize in the primary care specialties of family practice, general internal medicine, or general pediatrics. Unfortunately, the pressure on graduates to quickly repay medical school debt is especially onerous. Students who graduated in 2014 expect to earn less than $180,000 in their first year after residency, prolonging average debt repayment periods for students who choose a less lucrative but vitally needed medical career path.

Osteopathic medical school students attend four years of medical school and then complete additional graduate medical education training, which lasts between three and seven years. During this post-graduate training, medical residents earn a stipend; however, that income is generally not sufficient to begin full repayment of educational loans and is certainly not indicative of the salary those residents will earn as practicing physicians. As a result, medical residents depend on federal financial aid options, including income-based repayment and forbearance, to postpone or reduce their obligations until they become independently licensed, fully salaried physicians. Any proposed loan repayment rate calculation method should factor in borrowers who depend upon these repayment options after graduation.

RVUCOM's comments are illustrative of the very serious problems that the broad approach undertaken in this regulation could create for U.S. medical schools. RVUCOM points out that the proposed loan repayment rate calculation methodology, along with the loan repayment rate reporting requirements, could force prospective medical students to rely on misleading information. Compliance with the proposed provisions would force for-profit medical schools to either publish information that does not reflect their graduates' student loan obligations or to forfeit their Title IV eligibility.

Furthermore, the proposed repayment rate calculation methodology differs from both the gainful employment and College Scorecard that institutions already disclose, which would place additional and unnecessary compliance burdens on institutions. AACOM encourages the Department to explore streamlining and improving loan repayment rate methodologies rather than creating more confusion in an already complex federal reporting system.

Thank you for providing the opportunity to share our views. While we understand the importance of the Department's accountability and appropriate oversight of Title IV programs, we strongly urge you to reject a one-size-fits-all approach in loan reporting and to instead adopt accountability standards that ensure correct and accurate information is being reported by considering the unique medical school education model. In its current form, the NPRM on borrower to defense does not accomplish this goal.

AACOM looks forward to working closely with you to find a successful solution to ensure medical students and schools are well served by the Title IV federal financial aid programs. If you have any questions or require further information, please contact Pamela Murphy, Senior Vice President of Government Relations, at 202-844-4217 or pmurphy@aacom.org.

Respectfully,

Stephen C. Shannon, DO, MPH
President and CEO

Enclosures

August 1, 2016

Jean-Didier Gaina
U.S. Department of Education
400 Maryland Ave. SW., Room 6W232B
Washington, DC 20202

Dear Mr. Gaina: Docket ID ED-2015-OPE-0103

I am writing to express my concern that the loan repayment reporting provisions of the U.S. Department of Education's (ED) Notice of Proposed Rulemaking (NPRM) on borrower defense to repayment will require Rocky Vista University (RVU) to provide inaccurate and misleading loan repayment information to its students and the public. I would urge you to consider an alternative structure that would provide the correct picture of loan repayment by RVU's graduates.

RVU is a for-profit osteopathic medical school located in Parker, Colorado, and one of only a few for-profit medical schools in the country. Since its first graduating class, RVU has had 100% of its graduates obtain residency placements. RVU students also have been extremely successful with their national board passage rates, scoring in the 98th percentile in the nation. Our admissions process is highly selective, accepting students for only 160 slots from over 5,000 applicants annually.

As only one of two medical schools in the state, RVU fulfills a critical mission for the state of Colorado and the Mountain West region. Colorado currently has a severe shortage of primary care physicians and other medical providers, with families in rural areas having to travel long distances to receive medical care. In fact, 26 counties in Colorado have one or no doctors. To respond to this need, RVU predominantly trains individuals that will be general practitioners in these underserved areas. RVU also has the highest percentage of students on military scholarship of any civilian medical school in the country and has developed a special military medicine track.

As you know, the borrower defense NPRM requires all for-profit institutions of higher education (IHEs) with a loan repayment rate of its student borrowers that is less than or equal to zero to report that rate to prospective and enrolled students, as well as place an ED issued statement on its website's homepage. According to the NPRM, ED will calculate the loan repayment rate of a for-profit IHE based on the cohort of borrowers whose loans entered repayment at any time during the fifth Fiscal Year prior to the most recently completed Fiscal Year (i.e. starting in the fifth year of repayment).

We appreciate that ED wants to ensure that current and prospective students have the knowledge to make informed financial decisions. While the public reporting of loan repayment rates may well be a sound policy, the timeline proposed in the NPRM does not take into account that student borrowers who graduate from medical schools like RVU will enter residency programs and have a statutory right to enter into forbearance status on their loans. During forbearance, borrowers are not required to make payments on their loans resulting in interest accruing and adding to the principal of the loan at the end of the forbearance period. For individuals in medical residencies, this period of forbearance ends when they complete their residency. **With the shortest residencies lasting three years for internal medicine**

<u>and the longest running six years for neurological specialties, the interest accrued during forbearance will guarantee a higher loan balance during the NPRM's reporting period compared to when they graduated from medical school. This will result in RVU having to report that a cohort of their students are not repaying their loans, when in fact many of them will only have only just begun making payments.</u>

<u>As a result, RVU will be forced to report what amounts to inaccurate information. We can't possibly imagine that this is the Department's desire.</u>

While RVU is a comparably low-cost medical school with tuition and fees significantly less than many other medical schools, we estimate the average indebtedness of an RVU graduate is approximately $250,000, including tuition, fees, and borrowing for living and other expenses. Under this situation, the student borrower will **<u>not</u>** have a lower principal balance on their loans during their 5th year of repayment. Assuming the current graduate loan interest rate of 5.3%, a 5-year residency and an average 20-year repayment period, a student borrower would end their residency, leave forbearance status and begin making payments on their loan with a new principal balance of $316,250. Such a student would need to make 75 months (or 6 years and 3 months) of payments to reduce the principal on their loan to less than the original outstanding loan balance when they entered repayment:

Original Outstanding Loan Balance at time of graduation (i.e. entering repayment): $250,000.00
Interest rate: 5.30%
Accrued Interest Throughout Residency:
Year 1: $13,250.00
Year 2: $13,250.00
Year 3: $13,250.00
Year 4: $13,250.00
Year 5: $13,250.00
Total Interest Accrued: $66,250.00
Loan Principal Balance Post 5-year Residency (which includes Accrued Interest): $316,250.00

Number of Payments to Reduce Principal Balance Below Original Outstanding Loan Balance (based on standard monthly payments): 75 months (6 years and 3 months)

Based on the structure proposed in the NPRM, it's a virtual certainty that RVU's loan repayment rate will be less than or equal to zero and will be required to report this information to its current and prospective students, as well as to the public through its website. However, this information would be woefully inaccurate and would not reflect the repayment patterns of medical school graduates. This will lead to confusion for students basing their medical school attendance decisions on the faulty financial information that the school's graduates have a bad track record of loan repayment.

<u>There is a better way; and we urge that a new, more transparent and reliable alternative system be put in place.</u> We urge the Department to provide an alternative means of reporting for schools whose graduates enter medical residencies so that the loan repayment rates more accurately reflect the loan repayment behavior and timeline of a medical student.

We recommend that the final regulation include a different reporting mechanism for graduate programs that prepare their students for medical residencies. **<u>We propose that ED calculate the loan repayment rate for schools like RVU based on the cohort of borrowers who are five years removed from the end of their mandatory medical residency forbearance period. We further recommend that, for the</u>**

purposes of calculating such a cohort's loan repayment rate, the principal balance of the loan post the forbearance period be substituted for the original outstanding balance. This substituted loan balance would include any interest accrued during forbearance. This calculation would determine whether a school's cohort of students have reduced the principal on their loans post forbearance, which reflects the accrued interest, five years after ending their forbearance period. This structure would more accurately capture the loan repayment behavior of a medical school student and forgo the inaccurate reporting of such information to students and the public.

There is precedence in ED taking into account the fact that students attending for-profit medical schools do not have borrowing or repayment patterns like students at other for-profit schools. For example, after considering the impact that the gainful employment (GE) rule, which calls for calculating the debt to income ratio four years after entering repayment, would have on programs leading to residencies, ED changed the manner in which debt to income ratios are calculated under this rule for such programs. Under the final GE rule, programs that lead to residencies have their debt to income ratio calculated for their graduates six years after entering repayment. While simply substituting six years for five years in the loan repayment rate provision of the NPRM will not produce accurate loan repayment rating as described above, this structure under the GE rule does show the need to account for programs with residencies in a different manner.

Ensuring that our current and prospective students and the public are accurately informed about the costs and benefits of an education at RVU is critically important and has been a focus of our work since the school was founded in 2006. However, misleading information will only harm students who are considering which medical school best meets their needs. We would appreciate the opportunity to continue to work with the Department to both honor its objective of loan repayment rate reporting, while allowing RVU to continue to produce the outcomes and results that make it one of the most successful medical schools in the country. Thank you for your attention to this matter and the concerns of our school.

Sincerely,

Clinton E. Adams, DO, FACHE
President