**Federal Student Aid Policy: Its Impact on Veterinary Medical Students & the Veterinary Profession**

Educational debt negatively impacts veterinary students and new veterinarians. Congress can alleviate some of the burden on the veterinary profession through reauthorization of the Higher Education Act.

**KEY POINTS:**
- Abolish origination fees on federal student loans
- Reinstate subsidized Stafford Loans for professional students
- Maintain federal student loan limits for health professions students
- Lower interest rates on federal student loans
- Remove restrictions on refinancing
- Maintain Public Service Loan Forgiveness Program
- Increase awareness and participation in income-driven repayment (IDR) plans
- Help borrowers manage educational debt

**AVMA’s policy regarding the affordability of veterinary college**

The AVMA cosponsored the Fix the Debt Summit in 2016 because it recognizes that educational debt can be a significant burden on new graduates and it has broader implications for the veterinary profession. The AVMA believes a strong federal student aid system must serve the needs of all students. We are focused on tackling shortcomings in the federal student aid system so it better meets the needs of veterinary students. We are working to ease educational debt and maximize flexible repayment options, particularly when a borrower’s debt-to-income ratio is at its highest level. AVMA will support legislation that:

1. abolishes origination fees;
2. reinstates subsidized Stafford Loan for health professions students;
3. lowers interest rates on federal student loans;
4. maintains federal student loan limits for health professions students;
5. removes restrictions on refinancing;
6. increases awareness and participation in income-driven repayment plans;
7. maintains the Public Service Loan Forgiveness Program;
8. helps borrowers manage educational debt and increases financial literacy; as well as
9. establishes eligibility for grants and scholarships.

**Abolish origination fees**

Origination fees range from 1.073% to 4.292% and are deducted upfront from student loans before the funds are disbursed to the school. Students should not be charged a fee for financing their professional education through student loans. The AVMA supports the Eliminating the Hidden Student Loan Tax Act (H.R.1285) which would abolish origination fees.

**Reinstate Stafford Loan subsidy**

The Stafford loan subsidy prevents interest from accruing on the loan while the student is in school. Subsidies were eliminated for graduate and professional students by the Budget Control Act of 2011. While veterinary students may borrow the same annual and aggregate loan amounts, the entire amount is now unsubsidized. The AVMA supports the POST GRAD Act: Protecting Our Students by Terminating Graduate Rates that Add to Debt Act (H.R.4223) which would restore the subsidy.

**Maintain borrowing limits**

A majority of students borrowing to pay for veterinary school do so under federal student loan programs. The annual loan cap for veterinary students borrowing federal student loans is $47,167; while the aggregate limit for health-profession students is $234,000.

Lowering and capping loan limits as proposed by the Financial Aid Simplification and Transparency Act (FAST Act, S. 108) will force veterinary students into higher cost private loans. The FAST Act would establish a single graduate and professional federal loan by eliminating GradPLUS and subsidized Stafford loans and would institute a $30,000 annual loan limit and a $150,000 aggregate loan limit for graduate and professional students. Those limits could be increased on an annual, case-by-case basis so long as it does not result in an aggregate larger than $225,000.

**Lower student loan interest rates**

Currently rates may go as high as 8.25% for undergraduates, 9.5% for unsubsidized Stafford and 10.5% for GradPLUS. Loans disbursed during any 12-month period beginning on July 1 and ending on June 30, are determined on the
preceding June 1 and are equal to the 10-year Treasury note plus a fixed margin:

- Undergrads: 10-year Treasury note plus 2.05%; not to exceed 8.25%.
- Grad-Professional Students borrowing unsubsidized Stafford: 10-year Treasury note plus 3.6%; not to exceed 9.5%.
- GradPLUS: 10-year Treasury note plus 4.6%; not to exceed 10.5%.

For 2017 interest rates vary from 3.76% for undergraduates to 5.31% and 6.31% for unsubsidized Stafford and GradPLUS respectively.

Remove restrictions on refinancing
Remove the restrictions on refinancing. Allow borrowers with a federal student loan to refinance the loan anytime a lower interest rate is available. This would allow graduates to refinance at a low, fixed rate similar to what is available on a 30-year fixed mortgage rate. The AVMA supports the Student Loan Refinancing Act (H.R. 649).

Public Service Loan Forgiveness Program
The PSLF program incentivizes veterinarians to work in eligible public sector jobs (qualifying employers include federal, state or local government agencies and tax-exempt nonprofit organizations) that promote public and animal health and ensure food safety. Federal student loans are forgiven after 10 years of full-time service in an eligible job.

President Obama has proposed capping PSLF at $57,500. Placing limits on the PSLF program and withholding taxes from forgiven loans would create insurmountable barriers for veterinarians to participate in the program.

Awareness of and participation in income-driven repayment plans
Help borrowers manage their federal student loan debt by making it easier for them to enroll in income-driven repayment (IDR) plans. At present, borrowers must know about the plans; assess which plan is best for them; complete paperwork and income verification; and provide ongoing documentation of eligibility. Current repayment plans available including the four income-driven plans are:

- **Standard Repayment**: 10 years of fixed payments (students are automatically enrolled in this plan).
- **Graduated Repayment**: 10 years of payments that are lower at first, then increase.
- **Extended Repayment**: 25 years of fixed or graduated payments.
- **Income-Sensitive Repayment**: A monthly payment based on annual income; for 10 years. This program is open to borrowers with federal family education loans. The borrower can often pick his or her payment amount.
- **Income-Based Repayment**: 10% of discretionary income; for up to 20 years for new borrowers as of July 1, 2014; 15% of discretionary income for up to 25 years for those who are not new borrowers. (IDR)
- **Income-Contingent Repayment**: Payments based on debt amount, adjusted gross income, and family size; for up to 25 years. (IDR)
- **Pay As You Earn**: 10% of discretionary income; for up to 20 years. (IDR)
- **Revised Pay As You Earn Plan**: Caps borrowers’ monthly payments at 10% of discretionary income. However, the AVMA believes some new features are troubling for veterinary students: 1) if a borrower received any loans as a professional student, the repayment period is 25 years instead of 20 for undergraduates; 2) for married borrowers filing jointly or separately, the adjusted gross income of both the borrower and the spouse are used to calculate the monthly payment amount; and 3) there is no cap on the monthly payment amount. (IDR)

Other notable higher education legislation
The AVMA could support additional legislation passed by the U.S. House of Representatives in July 2016. The U.S. Senate is unlikely to consider these bills before Congress adjourns for the year; consequently all of the bills will need to be reintroduced next year.

Strengthening Transparency in Higher Education Act (H.R. 3178) overhauls the type of data that the federal government publishes about colleges so that prospective students have better access to the facts they need to make an informed decision about where to enroll.

Empowering Students through Enhanced Financial Counseling Act (H.R. 3179) promotes financial literacy by requiring annual loan counseling for all recipients of federal financial aid (student loan borrowers, Federal Pell Grant recipients and parent PLUS Loan borrowers). The enhanced counseling will include comprehensive information on the terms, conditions, and responsibilities with respect to a grant or loan and general information on a typical student budget, the right
to request an annual credit report, average income and employment data, and financial management resources. Additionally, the bill revises, expands, or establishes specific annual counseling information requirements for student borrowers, Pell Grant recipients, or parent PLUS Loan borrowers. The legislation revises and expands exit counseling information requirements to include an outstanding loan balance summary, the anticipated monthly payments under standard and income-based repayment plans, an explanation of the grace period preceding repayment, the option to pay accrued interest before it capitalizes, the right to request an annual credit report, and loan servicer contact information. It directs ED to maintain a consumer-tested online counseling tool that provides annual and exit counseling. The Institute of Education Sciences must study the impact and effectiveness of exit counseling, annual counseling, and the online counseling tool.

**Simplifying the Application for Student Aid (H.R. 5528)** will require the U.S. Department of Education to make the FAFSA available on a mobile app. It also will ease the process of applying for federal student aid and give prospective students a clearer idea of the financial aid they are eligible for much earlier in the process. It will also ensure students are able to use income data from two years prior when applying for aid and receive accurate aid information as soon as possible. This means students would be able to submit their FAFSA form as early as Oct. for the academic year.

**Accessing Higher Education Opportunities Act (H.R. 5529)** aims to expand dual-enrollment programs at Hispanic-serving institutions and will help students at Hispanic-Serving Institutions pursue a career as a health care professional.

**HBCU Capital Financing Improvement Act (H.R. 5530)** will improve access to and oversight of an existing program that enables Historically Black Colleges and Universities to improve their campuses.

---

**Tax legislation impacting student debt**

Outside of the HEA Reauthorization, the AVMA is pursuing modifications to the U.S. tax code to help student borrowers. Among the bills AVMA supports are:

**The Student Loan Interest Deduction Act (H.R. 509)** which would expand the deduction by increasing the maximum tax deduction from $2,500 to $5,000 for individuals ($10,000 for joint filers) and would repeal the income-based phase-outs of $65,000 for individuals ($130,000 for joint filers) in the current deduction. Rep. Charlie Rangel (D-NY-13) introduced H.R. 509 on Jan. 22, 2015, and it was referred to the House Committee on Ways & Means.

**The Employer Participation in Student Loan Assistance Act (H.R.3861/S.2457)** to extend the tax exclusion for employer-provided educational assistance to include payments of education loans paid to either an employee or a lender. The bill permits employers to put $5,500/year pretax towards an employee’s student loans. On Oct. 29, 2015 Rep. Rodney Davis (R-III-13) introduced H.R.3861 with 21 cosponsors. It was referred to the House Committee on Ways & Means. On Jan. 20, 2016, Sen. Mark Warner (D-VA) introduced S.2457 with 4 cosponsors. It was referred to the Senate Finance Committee.

The AVMA is spearheading efforts to exempt the loan repayment awards for veterinarians from a 39% withholding tax. Passage of the **Veterinary Medicine Loan Repayment Program Enhancement Act (S.440 / H.R.3095)** would translate into more awards for veterinarians. The cost per award over an initial three-year contract is $104,250 ($75,000 for the loan repayment award and $29,250 for withholding taxes). Between 2010 and 2015, USDA has offered 340 VMLRP awards to 313 veterinarians; meanwhile nearly 1,000 veterinarians have applied to the program. VMLRP veterinarians now practice in 45 states, Puerto Rico and on U.S. federal lands. On Jul. 16, 2015 Rep. Adrian Smith (R-Neb.-3) introduced H.R.3095 and was referred to the House Committee on Ways & Means. It has 33 cosponsors. On Feb. 10, 2015, Sen. Mike Crapo (R-ID) introduced S.440. It was referred to the Senate Finance Committee. It has 21 cosponsors.

AVMA supports the **Wildlife VET Act (H.R.2269)** to expand the workforce of veterinarians specialized in the care and conservation of wild animals by: developing educational programs focused on wildlife and zoological veterinary medicine; creating newly funded positions for wildlife and zoo clinical and research veterinarians; creating a loan repayment program to help limit the
amount of educational debt of veterinary medical students that go into wildlife or zoological medicine; providing incentives to study and practice wildlife and zoological veterinary medicine; helping schools and colleges of veterinary medicine develop pilot curricula to train students in the health management of wildlife in their natural environment and in captivity; and by expanding the number of educational and training programs in wildlife and zoological medicine for veterinary students. Rep. Alcee Hastings (D-Fla.-20) introduced H.R. 2269 on May 27, 2015. It was referred to the House Committee on Agriculture’s Subcommittee on Livestock and Foreign Agriculture and to the House Committee on Natural Resources. On June 6, 2015, the bill was referred to the Subcommittee on Federal Lands.