



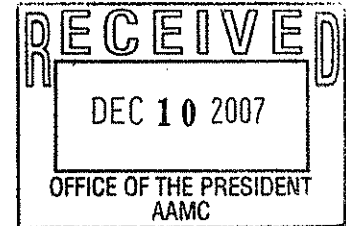
UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

DEC -3 2007

THE ASSISTANT SECRETARY

Darrell G. Kirch, M.D.
President
Association of American Medical Colleges
2450 N Street, N.W.
Washington, DC 20037-1127



Dear Dr. Kirch:

Thank you for your letter of October 12, 2007, regarding the Department of Education's (the Department's) implementation of the recently enacted College Cost Reduction and Access Act of 2007 – Pub. L. 110-84 (CCRAA). You expressed concern that current and new medical residents will no longer qualify for an economic hardship deferment on their Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct (Direct Loan) Program loans during the time period from the elimination of the debt-to-income ratio as an eligibility criterion for an economic hardship deferment by the CCRAA and before the effective date of the new income-based repayment plan – October 1, 2007, through July 1, 2009. As such, you expressed concern that these residents will be unable to repay their loans and avoid default.

The Department anticipated this concern upon the passage of the CCRAA and determined that we retain the authority to use debt-to-income ratio as a primary factor in establishing additional regulatory criteria for an economic hardship deferment under section 435(o) of the Higher Education Act. Accordingly, until the Department regulates further in this area, the provisions in 34 CFR 682.210(s)(6)(iv) and (v) of the FFEL Program regulations, and by extension, the Direct Loan Program regulations, have been retained. The applicable poverty line testing for purposes of these regulatory provisions, however, will be the new poverty test (150 percent of the poverty line applicable to the borrower's family size) as established by the CCRAA. A FFEL or Direct Loan borrower currently receiving an economic hardship deferment may continue to receive the deferment but is subject to the new poverty line test at the borrower's next scheduled 12-month reevaluation of eligibility, which will increase the maximum qualifying income for the debt-to-income criterion.

Thank you for your interest in the Federal student loan programs. We look forward to working with the AAMC in the future.

Sincerely,


Diane Auer Jones