

**United States House of Representatives
Committee on Small Business**

**“The Doctor is Out. Rising Student Loan Debt and the Decline of the Small Medical Practice”
Wednesday, June 12, 2019
Testimony by Dr. Lauren Wiese**

Introduction

Good morning. Chairwoman Velázquez and Ranking Member Chabot, on behalf of the American Association of Orthodontists, thank you for having me here today. The AAO is the oldest and largest dental specialty professional association in the world. The AAO and its 9,600 U.S. members are dedicated to advancing the art and science of orthodontics and dentofacial orthopedics, improving the health of the public by promoting quality orthodontic care, and supporting the successful practice of orthodontics. It is really that third goal for which I am here today.

Background and Education

I have been very fortunate in my life in terms of academic and personal success and am honored to be able to share my story about how my student debt burden has greatly changed the plans I have for my future as well as that of my family. I am currently a third-year orthodontic resident at the University of Maryland in Baltimore and will be graduating at the end of the month. After graduating from high school, I attended Villanova University on a full-tuition academic scholarship and graduated in 2011 with degrees in Chemical Engineering and Business. While studying engineering, I became interested in dentistry and was drawn to the ability to make a difference in the lives of my patients using my own hands and artistic nature while also having the opportunity to own a small business. My father is a small business owner and while his business is unrelated to healthcare, growing up I saw the advantages of being your own boss and community involvement that this path affords.

At the time, dentistry seemed an ideal career path for me to pursue my goals, including that of business ownership. So after college, in 2012, I began dental school at my state school, the Rutgers School of Dental Medicine in New Jersey. I was accepted into private schools, such as the University of Pennsylvania, but the cost of attendance at the time would have been almost double that of Rutgers University. I excelled in dental school and graduated first in my class in 2016; my academic record allowed me to pursue an orthodontic specialty and I ultimately matched at the University of Maryland School of Dentistry, a three-year residency program for orthodontics.

As I am completing the final year of my residency, I have spent the last few months looking for jobs, considering more remote areas like Wisconsin, where I would have loved to serve the population, as well as more populated areas in New Jersey and Connecticut. My husband, who has been working since graduation from college, has been considering a career change for the last few years and gained acceptances into both medical and dental schools this year. In considering his opportunities, as well as my employment opportunities, we are trying to solidify our plans, but have had great difficulty determining which options make the most financial sense for us. While I would love to pursue my initial goal of owning a business by buying into an existing practice, purchasing a practice, or starting my own practice; the thought of taking out a large business loan in light of my own student loan debt -- in addition to that which my husband may take on in the coming years -- is paralyzing for us.

Student Debt and Loan Burden

While neither of my parents are doctors or dentists, I was lucky they had worked very hard and saved well and were able to provide loans to me for the first two years of dental school. Tuition, fees, and my health insurance through the school added up to bills of almost \$55,000 for each year. Taking into account living expenses during the first two years as well, my parents

loaned me about \$120,000, which will be paid back to them in the coming years in addition to my federal loans. I had saved all throughout high school and college by working as a server at various restaurants; and as a teaching assistant, resident assistant, and intern at an engineering company during my college years. I used the money I had saved from these jobs to help with general living expenses during dental school to minimize my student loans.

I started to borrow from the federal government in the way of student loans at the beginning of my third year of dental school. I am very lucky that I was able to delay borrowing for so long, as I can only imagine how much greater my debt burden would be with the additional loans and years of interest accumulation. I think I understood my commitment in the way almost any student in their mid-twenties would; I did not quite understand what this would mean for me in terms of monthly loan payments after finishing school but had faith that I would do well as a dentist and would have no problem paying off the loans. That was the attitude that most dental students had at the time, and this outlook was confirmed many times to us by dentists working at the school and in our personal lives. Something I did not totally understand at the time was that many of the dentist mentors I spoke to, even those only a few years older than I, graduated at a time when the debt burden of school was much more manageable. While in school, it gave me solace to know that the majority of my dental school friends were in similar situations, and some even had loans from college that would need to be paid off as well, and others were starting families or supporting their existing families; compared to others, I often felt I was in a better financial situation. What I did not anticipate was the emotional struggles my husband and I would face in making decisions due to the debt, such as when we would be able to start a family or whether he would be able to also pursue his dreams.

Dental residencies are unlike medical residencies in that the majority of dental residencies are tuition-based. During my 3-year orthodontic residency, my 1st year tuition and

fees were approximately \$35,000 during each of the two semesters (out-of-state tuition) and approximately \$25,000 for each semester for the 2nd and 3rd years (in-state tuition); in other words, about \$70,000 the first year and \$50,000 for each of the last two years of residency. I had to borrow from the federal government in excess of these amounts to help pay my living expenses. Furthermore, my program in particular forbade us from working/moonlighting in the dental field in any capacity during residency. I am still unclear on the reasons for this, but it was disappointing that not only would we be taking out a large amount of student loans for residency, but then also not be allowed to work nights and weekends as a dentist to help pay for the extra education.

Including the loan from my parents, my total amount of indebtedness upon my graduation from residency is \$411,714. From the time I started taking out federal student loans during my third year of dental school in the summer of 2014, up until my last disbursement during residency in February of 2019, I have accumulated a total of \$152,257 in Stafford Loans with interest rates between 5.4-6.6% and \$139,457 in Graduate Plus Loans with interest rates between 6.3-7.6%. This is a total of \$291,714 in federal student loan debt, of which \$35,688 is unpaid interest.

My student loans have been in deferment throughout my residency. We receive many emails from the loan servicer advising us on the importance of making payments while in school and paying down the interest on the loans while in deferment. I absolutely understand the benefit of this, but I do not understand where the additional money would come from; I have had to borrow money for almost everything over the last couple of years and by no means have extra laying around to pay down interest. If I had any extra or borrowed too much, then I made it a point to return it via the loan servicer, which credits back any accumulated interest to my account.

My loans will go into repayment six months after I graduate, so I will officially need to start payments in January 2020. I have selected the standard 10-year repayment plan, a more aggressive plan, which will require monthly payments of \$3,295. Including interest, my total repayment amount will be \$395,426, not including the \$120,000 I will pay my parents. Due to the interest accumulated and capitalized, even with the most aggressive payment plan, I will pay over \$100,000 on what was initially \$256,000 (not including accumulated interest while I have been in school). While some people advocate for slowly paying off the student loans, seeing the tremendous amount of interest that would be paid is devastating. I come from a more aggressive train of thought and prefer to pay off the debt as quickly as possible so that I am then able to take on other business ventures without so much risk. In the meantime, however, paying the loans off aggressively makes it very difficult, if not impossible, to purchase or start a private practice during that time, not to mention start a family or support my spouse going back to school.

There are other loan repayment options, but in orthodontics, I was unable to find any employment opportunities that would qualify for Public Service Loan Forgiveness (PSLF) and other similar programs. There is also quite a bit of uncertainty regarding the future of these programs.

After working for about six months, my plan is to refinance my loans with a private lender to reduce my interest rates. Unfortunately, this also involves risk because with private loans, I will lose out on the protections and flexibility of federal loans in the event I am unable to continue making regular loan payments.

Impact of Student Loans on Life

Most people think that orthodontists and other medical specialists make boatloads of money and can afford a huge house, fancy car, second vacation home, and so on. It may be true that our initial salaries are greater than average, but the reality is after taxes are paid, a significant

portion of our incomes are allocated towards paying back our student loans. We also have to make up for the lost years of retirement savings while we were in school, and some of us are barely able to scrape by and eat healthy meals, let alone save for the future. I personally have saved very little for retirement, so I am already about seven years behind in savings and have lost the important time value of money during that time. It is also a time in our lives when life gets expensive since we are nearing the age when the biological clock starts ticking and we cannot wait too much longer to try to start a family.

Considering my own loan burden as well as the possible future loan burden for my husband, our student debt impacts our lives on personal, professional, and emotional levels. My initial dream was to own my own practice and run a small business, but we are not in any position to be able to do this any time soon, likely not for the next 10-15 years.

The reality of my life is that I am 30 years old, newly married, and planning for my husband and I to move back in with my parents this summer to save money. Between my husband and I, we have one car; a 2007 Subaru Impreza that I plan to drive as long as possible until the maintenance costs become too expensive, and even after that we will probably purchase a used Toyota or Honda. Most of my vacations consist of visiting family and friends and staying with them to help decrease the costs. Any other vacations we take are usually bought via Groupon or some other cost-saving website after extensive research.

My husband and I were delighted when he was accepted into both medical and dental schools, but with careful financial contemplation, we must consider what it would mean to more than double our existing debt. On the outside, a two-doctor household sounds like it would be more than comfortable, but the reality is that we would face financial ramifications of this decision for the next 15-20 years, causing both short- and long-term problems.

As we are facing this very difficult decision for my husband's career path, I am also facing the difficult choice of buying or starting a practice within the next couple of years or working for a Dental Service Organization for a longer period of time to allow me to repay my student loans. Due to the financial burden, I have primarily been considering employment opportunities at corporate Dental Service Organizations; which offer more support in the way of increased compensation to new graduates and other benefits such as health insurance. While this could be a somewhat satisfying employment opportunity, it is certainly a different experience than many of the orthodontists I know who inspired my career path; they own their own practice and are able to greatly contribute to and serve their communities in similar manners as other small businesses.

On a personal level, my student debt is going to impact when my husband and I will plan to start a family. Few of the employment opportunities I have seen offer paid time off or maternity leave. With my husband in school, my job would be our only source of income, making it virtually impossible to start a family while he is in school for the next four years.

Similarly, my husband and I will have to make difficult relocation decisions about where to live and practice. It will be very important for us to live in a lower cost of living area, so that we can afford to pay our student loans and also contribute to retirement and provide for our family. With my student loan debt in mind and a willingness to serve in areas of need, I searched for jobs in remote areas, such as Wisconsin, and found the increased compensation in rural Wisconsin was not great enough to offset the travel expenses for me to visit my husband in the locations he was accepted into school.

Others Face a Greater Burden

The current total cost of attendance, which includes living expenses, for one year of dental school at the Rutgers School of Dental Medicine is \$92,252 as an in-state student. The

current total cost of attendance for one year of my orthodontic residency at the University of Maryland as an in-state student is \$84,754. At these rates, four years of dental school and three years of residency could cost over \$600,000. Imagine going to a private school or paying the greatly increased out-of-state tuition for all of those years, as well as the amount of accumulated and capitalized interest. It is easy to see how student loan debt can spiral out of control, especially when the median orthodontist salary is quoted at \$208,000. It could take an entire lifetime to get out of debt.

Indeed, a 2018 AAO survey of its members found that orthodontists on average now graduate with approximately \$428,150 in student loan debt. More than one-quarter (26%) of respondents had or expected to have \$600,000 or more in debt by the end of their orthodontic residency. Like me, many respondents said their student loan debt affected their plans for practicing (78%) and other life plans (85%). What's more troubling is that approximately 40% are unsure they would have chosen to enter the profession given their current amount of student loans.

I am so lucky that I could attend college for free, attend an in-state dental school, and attend a state school for residency (becoming in-state after one year). I never borrowed up to the cost of attendance and kept my cost of living very low. I worked part time throughout all of school as a cater waiter to earn a little extra for living expenses, employed extremely thrifty savings strategies, applied for any scholarships possible (and was awarded quite a few), returned loan money when I had excess, educated myself on student debt, and maintained an overall firm grasp on my financial situation. Even with these strategies and help from my parents, I am still terrified to face my \$411,714 in student loans, with interest accumulating by the day.

Some of my classmates were not so lucky and have loans from college, private loans from post-baccalaureate programs, federal loans for a private dental school, and federal loans for

residency as well. This debt burden can amount to over \$750,000. When two of these dental specialists decide to marry, they are indebted over \$1.5 million, a number I cannot truly fathom ever repaying. To consider taking on additional debt to purchase or start a practice is almost inconceivable and I am unsure whether any banks would feel comfortable in lending to someone with so much debt already. Many young orthodontists, including most of my classmates, will be forced to face this harsh reality that they may need to follow a more corporate dental route long-term in lieu of following their dreams of opening a practice or purchasing one and becoming a small business owner.

Conclusion

Again, thank you for inviting me here today to speak on this important topic. While I understand higher education policy is not within this Committee's jurisdiction, as a medical professional, I look forward to working with you on solutions that will ensure owning a small business practice is still within reach for mine and future generations. I would be happy to answer any questions you may have.