

Federal Student Loan Changes: Impact on Medical and Dental Education Access for Underrepresented Students

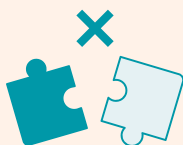
December 2025

A Critical Juncture for Workforce Diversity

Recent federal student loan policy changes have fundamentally altered the financial landscape for aspiring physicians and dentists. The "One Big Beautiful Bill" (H.R. 1) enacted in July 2025 introduced significant borrowing caps to educational loans that disproportionately impact students pursuing medical and dental education—particularly those who rely heavily on federal financial aid to finance their education.¹

These changes come at a time when California and the nation face worsening health care workforce shortages, especially in rural and medically underserved communities.² This new federal loan structure threatens to undermine progress in diversifying the health professions and could worsen both access to care and quality of care. Health care professionals from medically underserved communities are more likely to serve patients in those communities, playing a critical role in improving access to care.³ Research demonstrates that workforce diversity improves patient outcomes, quality of care, and patient trust.⁴

Under the previous federal loan system, graduate and professional students could access unlimited Graduate PLUS loans to cover the full cost of attendance after exhausting Direct Unsubsidized loans (\$20,500 annually). This system ensured that qualified students could finance their medical or dental education regardless of family financial resources.



The disconnect between loan caps and educational costs creates a substantial financing gap:

- **Medical school:** Average total cost exceeds \$300,000 over four years, leaving students with a \$100,000+ shortfall under the new \$200,000 lifetime cap⁵
- **Dental school:** Students graduate with an average debt of \$312,700, creating an even larger financing gap of \$112,700⁶

California has an opportunity to lead by example, demonstrating how states can step in when federal policies create barriers to essential workforce development. By acting swiftly and comprehensively, California can maintain its commitment to workforce diversity as an important strategy for improving care while building a model for other states facing similar challenges.²

The cost of inaction—in terms of reduced health care access for medically underserved communities and compromised quality of care—far outweighs the investment required to maintain diverse pathways into the health professions. California's response to this federal policy change will be a defining moment for the state's health care equity goals.

Fast Facts >>

The new federal loan structure implements strict caps with H.R. 1:



Annual borrowing limit:

\$50,000

per year for professional degree programs (medical and dental school)⁷

Lifetime borrowing cap:

\$200,000

for professional degrees⁷



Elimination of unlimited

Graduate PLUS lending for new borrowers starting

July 1, 2026⁷

Student Borrowing Rates:

71% of medical students take out loans, averaging **\$212,341** in debt⁵



83% of dental students take out loans, averaging **\$312,000** in debt⁶



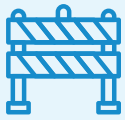
California-Specific Debt Fast Facts >>



- **Average** current cost for tuition and fees at public medical school: **\$49,000** per year for in-state residents⁵
- **Average** current cost for tuition and fees at private medical school: **\$71,000** per year for all students⁵
- **Average** current cost for tuition and fees at public dental school: **\$61,000** per year for in-state residents⁶
- **Average** current cost for tuition and fees at private dental school: **\$108,000** per year for all students⁶

*The figures presented above are the result of our own calculations derived from publicly available data sources. We have made every effort to ensure the accuracy of our methodology.

Disproportionate Impacts on Underrepresented Students



Barriers to Alternative Funding

The new loan caps create acute challenges for students in medicine and dentistry who typically:⁸

- Have limited access to family financial support or co-signers for private loans
- Face higher rejection rates and less favorable terms for private educational loans⁹
- Come from communities with lower median wealth and limited social capital for financing higher education



Compounding Socioeconomic Disadvantages

These federal policy changes risk creating a two-tiered system where:^{8,10}

- Advantaged students with family wealth or access to private financing can continue pursuing medical and dental careers
- Disadvantaged students face new financial barriers that may deter them from entering these professions
- Reversal of gains in workforce diversity achieved over decades worsens access and quality of care

Projected Loans & Repayment Scenarios in California



Scenario 1: Medical Student at 4-year Public Institution¹⁵

- Average total cost of attendance: **\$300,000**
- Federal loans available: **\$200,000** lifetime cap
- Financing Gap: **\$100,000**
- Required private loan financing: **\$25,000 annually**



Scenario 2: Dental Student at 4-year Public Institution¹⁵

- Average total cost of attendance: **\$344,000**
- Federal loans available: **\$200,000** lifetime cap
- Financing Gap: **\$144,000**
- Required private loan financing: **\$36,000 annually**



Repayment Burden Comparison¹¹

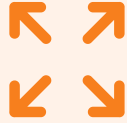
Under the new structure, students requiring private loan supplements will face:

- **Higher** monthly payments due to less favorable private loan terms
- **Longer** repayment periods to manage monthly payment burdens
- **Reduced** eligibility for federal income-driven repayment programs for private loan options
- **Limited** forgiveness options as private loans do not qualify for Public Service Loan Forgiveness¹²



California-Specific Policy Opportunities

1



Strengthen Existing Loan Repayment Options

CalHealthCares provides up to \$300,000 in loan repayment for physicians and dentists who serve Medi-Cal patients (maintaining a minimum 30% Medi-Cal caseload) for five years.¹³ Stephen Thompson Loan Repayment Program (STLRP) provides up to \$165,000 for three years service commitments in medically underserved areas.^{14,15}

Both programs could be expanded and enhanced to:

- Increase total available funding to serve more applicants
- Prioritize funding for medical and dental graduates working in rural communities
- Require service obligations of up to 4 years
- Create a scholarship component for matriculated medical and dental students from medically underserved communities
- Prioritize new graduates affected by the federal caps

2



Strengthen Existing Workforce Training Funding

The Song-Brown program, established in 1973, prioritizes training and placing graduates in medically underserved areas and increasing health provider diversity.^{16,17} CalMedForce (funded by Proposition 56) and CalMedForce + (Proposition 35) fund expansion of graduate medical education programs in primary care, emergency medicine and specialty care.

The program could:

- Expand to include dental residency alongside medical residency
- Include medical and dental student loan assistance in addition to residency funding
- “Bridge scholarships” specifically covering the gap between federal caps (\$200,000) and actual costs of attendance
- Enhanced stipends for residents from medically underserved communities and backgrounds

3



Partnership with State-Supported Public Universities

Collaborate with California’s public medical and dental schools to:^{18,19}

- Implement need-based tuition reductions coordinated with state loan assistance
- Expand institutional scholarship funding specifically targeted at closing the \$80,000-\$120,000 financing gaps
- Develop innovative financing models such as income-share agreements with California practice obligations
- Create “bridge scholarships” specifically for the gap between federal caps and educational costs

4



State-Backed Private Loan Enhancement Program

Create programs to improve private loan access and terms:^{9,20}

- State loan guarantee program reducing interest rates by 2-3% for California students
- Co-signer alternatives through state backing (following successful credit union models)
- Negotiate group rates with private lenders for all California medical and dental students
- Provide loan counseling and financial literacy programs specifically addressing the new federal landscape

5

Western States Medical and Dental Education Collaboration



Drawing from successful multi-state models:²¹

- Develop informal partnerships with Oregon, Washington, Nevada, and Arizona to share best practices
- Create reciprocal agreements allowing California loan forgiveness recipients to fulfill service obligations in areas of highest need
- Pool purchasing power for group negotiations with private lenders
- Share program administration costs and evaluation resources

Endnotes

1. U.S. Department of Education, Federal Student Aid Changes: Implementation of H.R. 1 Provisions, July 2025, Federal Student Aid, Accessed: September 25, 2025.
2. California Health Care Foundation, California's Health Care Workforce: Diversity and Access Challenges, June 2024, California Health Care Foundation, Accessed: September 25, 2025.
3. Xierali IM, Nivet M. The Racial and Ethnic Composition and Distribution of Primary Care Physicians. J Health Care Poor Underserved. 2018;29(1):556-570. Accessed: September 25, 2025.
4. Gomez LE, Bernet P, "Diversity Improves Performance and Outcomes," Journal of the National Medical Association, 2019, Vol. 111, No. 4 pp.383-392, Accessed: October 28, 2025.
5. Association of American Medical Colleges (AAMC), Medical Student Education: Debt, Costs, and Loan Repayment Fact Card for the Class of 2024, October 2024, AAMC, Accessed: September 25, 2025.
6. American Dental Education Association (ADEA), Educational Debt, 2024, ADEA, Accessed: September 25, 2025.
7. National Association of Student Financial Aid Administrators, Impact of Graduate Student Loan Caps: Preliminary Analysis, August 2025, NASFAA, Accessed: September 25, 2025.
8. Toretzky, C., Mutha, S., and Coffman, J., Reducing Educational Debt Among Underrepresented Physicians and Dentists, Healthforce Center at UC San Francisco, https://healthforce.ucsf.edu/sites/g/files/tkssra14981/files/Reducing_Educational_Debt_Among_Underrepresented_Physicians_and_Dentists.pdf, Accessed: September 25, 2025
9. Consumer Financial Protection Bureau, Private Student Loan Market Analysis: Professional School Students, March 2025, CFPB, Accessed: September 25, 2025.
10. California Future Health Workforce Commission, Addressing Health Workforce Diversity: Financial Barriers and Solutions, January 2025, California Future Health Workforce Commission, Accessed: September 25, 2025.
11. American Medical Association, Medical Student Debt and Specialty Choice: 2024 Analysis, American Medical Association, Accessed: September 25, 2025.
12. AAMC, Proposed Changes to Federal Student Loans Could Worsen the Doctor Shortage, June 2025, AAMC News, Accessed: September 25, 2025.
13. California Dental Association, CalHealthCares awards \$69.4 million to providers to help expand Medi-Cal access, February 2024, CDA, Accessed: September 25, 2025.
14. California Health Care Access and Information (HCAI), California State Loan Repayment Program (SLRP), June 2018, HCAI, Accessed: September 25, 2025.
15. Health Resources and Services Administration, Health Professional Shortage Areas: California Analysis, U.S. Department of Health and Human Services, September 2025, Accessed: September 25, 2025.
16. California Health Care Access and Information (HCAI), Song-Brown Healthcare Workforce Training Programs, June 2025, HCAI, Accessed: September 25, 2025.
17. California Student Aid Commission, Cal Grant and Graduate Student Support Programs: Annual Report, 2024, California Student Aid Commission, Accessed: September 25, 2025.
18. Healthforce Center at UCSF, Practicing Holistic Review in Medical Education, October 2020, https://healthforce.ucsf.edu/sites/g/files/tkssra14981/files/Practicing_Holistic_Review_in_Medical_Education_102220.pdf, Accessed: September 25, 2025.
19. University of California Office of the President, UC Health Sciences Financial Aid Analysis, August 2025, University of California, Accessed: September 25, 2025.
20. Institute for College Access & Success, Private Loans: Facts and Trends, July 2025, The Institute for College Access & Success, Accessed: September 25, 2025.
21. Northwest Osteopathic Medical Foundation, Tuition Assistance Scholarship Program: Regional Multi-State Model, Northwest Osteopathic Medical Foundation, September 2025, Accessed: September 25, 2025.

Policy Advisory at Healthforce Center at UCSF

Healthforce Center's Policy Advisory is a trusted partner to California state, regional, and national leaders, providing expert guidance and community-informed research that accelerates cross-sector health workforce policy solutions.

The evidence synthesized in this fact sheet was supported by The California Endowment.



@ucsf-healthforce-cent



<https://healthforce.ucsf.edu/policy>