

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

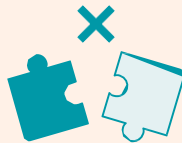
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A Critical Juncture for Workforce Diversity

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 Institution^{1,5}

- 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 Institution^{1,5}

- 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

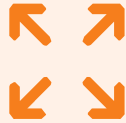
Under the new structure, students requiring private loan supplements will face:

- **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

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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.

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