3 mistakes to avoid on medical student-loan repayment

A survey of medical residents indicates that paying off medical student-loan debt is the group’s top financial concern. With half of survey respondents saying they have med school debt of greater than $200,000, and 80 percent with a debt figure higher than $100,000, there’s little wonder as to why that concern is so pressing among new physicians.

To help AMA members develop or refine their optimal repayment strategy, Laurel Road—a preferred provider of the AMA for student-loan refinancing—has created a free student-loan assessment tool. It takes just a couple of minutes to enter your loan and financial information into this online calculator. You will then get a personalized breakdown of all available repayment options—both federal and private.

This tool gives physicians the information necessary to make an informed decision regarding their medical student-loan repayment.

Formulating a debt-repayment plan requires great attention to detail and a keen grasp of your options. It also requires some knowledge of what you should not do. To that end, here’s a look at three mistakes physicians must avoid when repaying medical student-loan debt.

**Not knowing your debt load.** Standard loan-repayment plans amortize over 10 years. That means that, technically, six months after your medical school graduation, what you owe will be roughly 1 percent of your total balance per month. That’s not tenable for most residents.

If you understand what you owe, you can plan ahead. Options such as income driven repayment can lessen your monthly payments, making your monthly payments more manageable.

“It’s just too important to ignore,” said Allan Phillips, a Certified Financial Planner™ with Taylor Wealth Solutions. “It’s such a big part of their practice of medicine in the future that their there needs to be time spent to understand the [payment] options out there and how to best structure your career decisions based on the amount of debt that you take on.”
Overlooking loan forgiveness. The federal government’s Public Service Loan Forgiveness (PSLF) program was designed to offer significant debt relief for physicians and others working in nonprofit or government institutions.

Enacted in 2007, the PSLF program forgives loan balances after 120 payments—typically, 10 years of payments. Generally, most individuals are making payments through an income driven repayment plan.

Participation in PSLF among medical students grew by 20 percent every year from 2010 to 2016, according to a 2016 study published in the *Journal of General Internal Medicine*.

The AMA has adopted policy that calls for the current PSLF program to be protected and advocates for expanding its reach to apply to for-profit institutions as well.

“As trainees often pursue the best education available irrespective of salary and, certainly, of the profit status of the institution, the profit status of graduate medical education training institutions should not be a qualification for PSLF eligibility,” says an AMA Council on Medical Education report whose recommendations were adopted, after amendments, by delegates at the 2017 AMA Annual Meeting in Chicago.

Getting tripped up by the red tape. There’s going to be some room for confusion on any loan-repayment plan. The PSLF program, however, seems to be the most flummoxing to borrowers. If you are going to enroll in the PSLF, here are some sticking points of which you should be mindful.

- Make sure you are working for a qualified employer. The vast majority of hospitals and clinics are nonprofits. Still, it is worth double-checking that you work for an employer that fits the bill.
- Submit your employment certification form. You need to do this annually and any time you switch employers.
- Don’t miss payments. The PSLF requires 120 qualifying payments. A payment doesn’t count if it’s late or in a lesser amount than that which is due.