3 items for your loan-repayment checklist during residency

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You'll rarely meet a physician who is embarrassed by their line of work. You will, however, frequently meet physicians who are embarrassed by their medical student-loan debt.

According to studies done by Laurel Road—a preferred provider of the AMA for student-loan refinancing—a majority of physicians are embarrassed by their student-loan debt. That fact seems to contradict another reality: almost every physician has some loan debt, with 75% of physicians borrowing more than $170,000.

If you're a resident physician or soon to graduate medical school, debt is part of your present and future. What are some of the pressing questions you should be asking about managing it?

A recent event, held jointly by the AMA and Laurel Road, featured an expert panel speaking to residents, young physicians and medical students about student-loan debt. Here are three questions they covered that should be on your medical student-loan repayment checklist.

AMA Chief Experience Officer Todd Unger (left) is joined by Laurel Road's Alex Macielak (center) and Chirag Shah, MD, for an expert panel on student debt.

Double-check your PSLF plans

The Public Service Loan Forgiveness Program (PSLF) forgives loan balances after 120 payments—typically, 10 years of payments—for physicians and others who worked at nonprofit entities.

"The federal repayment landscape, especially for physicians, is as complex as any loan repayment that exists," said Alex Macielak, who works in business development for Laurel Road, a brand of KeyBank NA, that offers student-loan refinancing. Public Service Loan Forgiveness is an incredibly valuable program.

The most recent federal budget proposed elimination of the program. That was met with much opposition from a number of organizations, including the AMA. Should the requirements for the PSLF change, Macielak pointed out that most exiting borrowers are unlikely to be affected.

"When they change these programs, the past precedent has been that people who took out the loans at the time the original program existed get grandfathered through," Macielak said. "That's not a guarantee, but with some degree of confidence you can think you'll be grandfathered in even if they do change the program."

Think over cash-flow friendly options

Macielak touted federal-based income-based loan repayment plans for giving resident physicians on limited incomes a vehicle through which they can maintain some liquidity. In particular, he touted the Revised Pay As You Earn program (REPAYE).

"REPAYE is the newest of all the income-driven options," he said. "Let's say you owe $200,000, and you're accruing $1,000 a month in interest, which is realistic for that level of debt. If your monthly payment based on your residency salary is $300, it means your loan debt is growing $700 a month.

“With this Revised Pay as You Earn program, they forgive half of the interest,” Macielak explained.“So of that $700, half of it will not get charged to you. It’s incredibly attractive for residents. Itessentially lowers your effective interest rate on the loan. If you’re in residency I would take a stronglook at that program, especially people with really high debt levels.”

Consider whether refinancing makes sense

If you don’t intend to work at a nonprofit hospital or for a government agency, you are unlikely to qualify for the PSLF. That means refinancing might be your best option.

“If you are someone who doesn’t need the liquidity relief of income-driven repayment and doesn’t believe you’re going to work at a nonprofit or government entity—so you will not qualify for loan forgiveness and you want to pay back the loan with as little interest as possible—that’s where refinancing comes into the equation,” Macielak said.

“The basic idea is you as a physician are considered to be some of the most credit-worthy borrowers in the economy. And we at Laurel Road, [when] you come to us, we’ll look at your employment, we’ll look at your credit, we’ll look at your debt and we’ll make you a rate offer based on these factors,” he said.

When fellow panelist Chirag Shah, MD, determined that he would not be pursuing a nonprofit career track in anesthesia, he was able to cut his interest rate significantly by refinancing. He said residents should start looking ahead to those types of financial decisions.

“Think about what you want to do,” said Dr. Shah, an AMA member. “Do you want to be at an academic facility or a nonprofit facility? I’m at a community hospital that’s non-for-profit. But my anesthesia group is for-profit. So try to think two or three years ahead and then try to position yourself for that future.”

The AMA’s Career Planning Resource features a primer on medical student loans that explains the basics of loan interest, grace periods, deferment and forbearance, and delinquency and default. It also features links to loan-repayment assistance and scholarship programs.

AMA members who refinance their student loans with Laurel Road receive an additional 0.25% rate discount through AMA Member Benefits PLUS.