

# Trump extends student-loan deferral—plan your next move now

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In a move aimed at reducing the financial burden on Americans during times of uncertainty, President Donald J. Trump signed an executive order extending the deferment of payments and the waiver of all interest on student loans held by the U.S. Department of Education through the end of the year. The deferral stated under the CARES Act, was set to end in September.

The move will provide some relief for young physicians. About 75% of medical students who graduated in 2017 borrowed an average of over \$170,000.

How does this extension of the initial legislation affect the student-loan landscape for borrowers? And what should they be looking ahead to next? Alex Macielak, who works for Laurel Road, a branch of KeyBank NA that offers student-loan refinancing, took time to offer some insight on these questions and more.

The AMA selected Laurel Road as a preferred provider to support you in navigating your financial future. AMA members who refinance their student loans with Laurel Road receive an additional 0.25% rate discount through AMA Member Benefits PLUS.\*

Learn how COVID-19 is affecting student-loan repayment.

## What it means for loan forgiveness

Under the executive order, and the original legislation in the CARES Act, both payments and accrual of interest on most federal student loans is suspended.

Many doctors are enrolled in repayment options that fall under the umbrella of the Public Service Loan Forgiveness Program (PSLF). The program forgives loan balances after 120 payments—typically, 10 years of payments—for physicians and others who work full-time at nonprofit entities. Payments that would have been made during this time, but are not part of the executive

order, will continue to count as qualifying payments.

“These months that you are set up and checking all the other boxes for PSLF—you are working in a nonprofit, you filled out the paperwork—this period of time counts as progress toward a forgiveness event,” said Macielak, who was a featured guest on a series of episodes of the AMA’s “Making the Rounds” podcast regarding student loans.

Make sure you know about these three items for your loan-repayment checklist during residency.

## Time to refinance?

For people with private loans, refinancing right now is an obvious move.

For those with federal loans, it doesn’t get any better than 0% interest on zero-dollar payments, but those days will eventually end. Because of that, with interest rates at historic lows, Laurel Road is still seeing physicians refinancing their loans.

Laurel Road’s current rates could still offer value to physician’s looking for an opportunity to save over the life of their loan.

“Although the federal government has paused repayment and isn’t currently accruing interest on its loans, eventually borrowers will be asked to pay, and when they are, they will likely need to make the same number of payments at the same interest rate they had prior to the CARES Act,” Macielak said. “So if you feel you can get a lower rate on your loans with a private lender it might be worthwhile, but this lower rate should be balanced against the repayment plans and other benefits lost by refinancing federal loans.

“There are some folks with federal loans that would rather lock in this low lifetime interest rate and give up a few months of zero interest rate, to avoid their federal loan going back up to a 6% or 7% level.”

## Future federal loan developments

With borrowers owing the federal government around \$1.6 trillion in loan repayments, it stands to reason that repayment will resume in the coming months. Still, considering the country is in the midst of an election year, much could change. Macielak’s advice to borrowers? Pay attention.

“Change is always imminent in the student loan world,” he said. “Continue to read the papers and monitor what’s happening in Congress. Just in the last 10 years, look how much has changed. PSLF

wasn't around 11 years ago; same too with these income-driven repayment plans.”

“Stay up on the industry,” Macielak advised.

The AMA has curated a selection of resources to assist residents and medical students during the COVID-19 pandemic to help manage the shifting timelines, cancellations and adjustments to testing, rotations, and other events.

\*The 0.25% AMA member interest rate discount is available only to current AMA members in good standing. The rate discount will end if AMA notifies Laurel Road that the borrower is no longer in good standing. The offer cannot be combined with other offers, except for any discount for making automatic payments.

An additional 0.25% “automatic payment discount” is available for making automatic payments from a bank account. These discounts do not reduce the monthly payments, instead the discounts are applied to the principal to help pay the loan down faster.