4 key questions about medical student-loan debt in 2021

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The pandemic has significantly, perhaps temporarily, altered the student-loan repayment landscape. With a new year and a new presidential administration, medical students and residents might have some questions about where things stand.

Alex Macielak, who works for?Laurel Road,?a brand of KeyBank NA?that offers student-loan refinancing, took time to offer some insight on these questions and more.

When will federal loans require repayment?

On his first day taking office, President Joe Biden signed an executive ordering extending nonpayment of student loans through September 2021. This extension of policy, that took hold in the spring of 2020 under the Trump administration, applies to all federal loans.

“It's a continuation of the position borrowers have been in for the past nine months,” Macielak said. “Your federal loans are offering this unprecedented position of not having interest or requiring you to make payments.”

What should you do with the extra money?

Many doctors are enrolled in repayment options that fall under the umbrella of the?Public Service Loan Forgiveness (PSLF) program. The program?forgives loan balances after 120 qualifying payments for physicians and others who work full-time at nonprofit entities. Payments that would have been made during this time but are now $0 because of the executive order, will still continue to count as qualifying payments.

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If you have federal loans as a physician, you may be hoping to get Public Service Loan Forgiveness. The goal of that program is to pay as little as possible, so borrowers could presumably be saving some funds you otherwise could have allocated to your loans. What should you do with the money? “If it were me, I would have a side account and save those payments,” Macielak said. “If anything happened to the program or you were to leave the public sector, you could then use that money to pay down the loan if you needed.”

Is there reason to consider refinancing?

Interest rates are historically low at present. If you have a private loan, you should strongly consider refinancing—public service loan forgiveness does not apply to those loans. Even for those who have federal loans, there could be some benefit to refinancing in the long run.

“From our perspective, we have continued to see many borrowers every day still refinancing,” Macielak said. For private loans, “it’s an excellent time to refinance.”

“For people with federal loans, the extra eight months of no payments and no interest along with other federal benefits like Income Driven Repayment and PSLF are a better option. Although some may want to lock in a low refinance rate for the long-term instead. It’s a personal choice.”

What does the future of repayment look like?

With a new administration, both the longer- and shorter-term loan landscape remains uncertain. There has been talk of federal student-loan forgiveness. That program could be income-dependent, however. There is also a possibility that federal-loan forbearance will be extended beyond September. With so much changing, Macielak offers this advice to borrowers: Pay attention.

“Continue to monitor,” Macielak said. “There’s a new administration. Student-loan debt is a hot topic, even outside of this interest and payment waiver. There’s been talk about forgiving loans for some people. However, how much, who would be eligible, and other important details are still in doubt. So, monitor the legislation and debate, because student loans are consistently evolving.”

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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.

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