The typical medical student graduates with a debt load of about $200,000 related to medical training, according to the Association of American Medical Colleges. Having a solid plan to tackle that kind of debt load is essential for physicians as they focus on flourishing in residency or fellowship.

During a recent AMA Resident and Fellows Section Facebook Live event, Alex Macielak—who works for Laurel Road, a brand of KeyBank NA—that offers student-loan refinancing answered many questions about the pros and cons of refinancing medical student loans. Here’s a look at what Macielak had to say.

What do you forfeit if you refinance?

“This is definitely a relevant question given the times,” Macielak said. In response to the COVID-19 pandemic, the federal government has paused all federal student loan payments and waived interest charges on federally held loans until 9/30/21. Right now, you are giving up this federal benefit.

“The baseline tradeoffs are when you refinance a federal loan, you are not able to use Public Service Loan Forgiveness—the program where if you pay for 10 years and you are working for 10 years at a nonprofit your loans get forgiven. The same goes for income-driven repayment. So if you refinanced your federal loans you can no longer use Pay As You Go, IBR, REPAYE. None of those are available.”

Get answers to four key questions about medical student-loan debt in 2021.

What factors influence your interest rate?
“When you apply to refinance your loans with Laurel Road, you are being judged on your total debt, your total income, or—if you are a resident—your projected income based on your specialty and your FICO score,” Macielak said. “Those are the primary factors we look at in determining if you are eligible to refinance, and what rates you will get.”

**Required to refinance all loans at once?**

“You are absolutely able to pick and choose which loans you want to refinance,” Macielak said. “A lot of people will have federal loans from either undergrad, medical school, postgraduate school and have some private loans as well.

“You could theoretically refinance your private loans right now because of the federal interest and payment holiday and leave the rest of the federal loans to take advantage of the CARES Act.”

**Credit report and tax implications for refinancing?**

“By refinancing a federal loan into a private loan, it still counts as a student loan on your credit report. As far as deducting student-loan interest paid, you can still deduct it on your federal taxes.”

**What refinancing options does Laurel Road offer?**

“We allow medical and dental residents and fellows to pay a low monthly payment during training and start on a standard repayment plan once you exit training and start practicing,” Macielak said. “It’s a good solution to help you lock in this low interest rate now, while you’re earning a modest income, have a reasonable monthly payment during that period then start on a standard repayment term once you’re a practicing physician.”

The AMA selected Laurel Road as a preferred provider. AMA members who refinance their student loans with Laurel Road receive an additional 0.25% rate discount through AMA Member Benefits PLUS. The 0.25% AMA member interest-rate discount is available only to 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.

Learn more about how the AMA Resident and Fellow Section gives voice to—and advocates for—issues that affect resident and fellow physicians.