

What physician borrowers should know about loan repayment in 2022

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Come February, loan repayment for borrowers in federal student-loan deferment is almost assured to begin. For physicians across the spectrum of practice, that means making a game plan for the most effective, efficient way to pay down your medical student loans.

Here's what borrowers should know.

No more extensions

The Biden administration, to some surprise, expanded the suspension of payments for all loans owned by the Department of Education through January 2022. The extension is expected to be the final pause on federal student-loan repayment.

“This is the first time the administration has been explicit in saying this is the final extension,” said Alex Macielak, who works for Laurel Road, a brand of KeyBank NA that offers student-loan refinancing. Borrowers should “be prepared to enter repayment at the end of January,” he said.

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

Changes to the PSLF

The federal Public Service Loan Forgiveness (PSLF) program remains popular. Nearly 80% of 2020 medical school graduates planned to enter the program, according to the Association of American Medical Colleges.

The Department of Education announced that it will enact a series of changes over the coming months, including a time-limited waiver so that student borrowers will be able to count additional payments toward PSLF.

“What the new legislation has done is make loan forgiveness more accessible,” Macielak said. “Borrowers should have an easier time qualifying for loan forgiveness if they are working for non-profit settings.”

Find out what to do when federal student-loan forgiveness goes wrong.

Know your goal

In the end, any borrower wants to pay the least possible for their loan. That could mean staying in a nonprofit or public setting for a decade to qualify for the PSLF. It also could mean refinancing, though additional protections that come with federally held loans will be lost if you refinance with a private entity.

Still for those who already have a private loan, the current climate is favorable to re-finance.

“If you have a private loan, your only goal is to secure as low a rate as possible,” Macielak said. “So those people should definitely look at what rates are available now and how it would impact their payment outlook.”

For those who are considering leaving a nonprofit or government setting, and by extension losing PSLF eligibility, refinancing at the current rates is a favorable option.

“In general, for those who are looking to refinance the rates being offered are near historic lows,” Macielak said. “It would be a good time to act if you were looking to refinance.”

Paying down versus saving

Macielak said he’s often asked by physicians who have a stable income whether paying down loans is more prudent than saving or planning for their long-term future.

“We get the question all the time: Should I be overpaying my loans rather than putting money into a 401(k) or buying into a practice?” Macielak said. “It’s a personal decision. I would recommend people meet with a financial adviser who is familiar with the financial needs of physicians. That type of



professional is going to have a good idea of what offers the best value to you.”

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.

The 0.25% AMA member interest rate discount is offered on new student loan refinance applications from active AMA members. The AMA discount is applied to your monthly payment and will be reflected in your billing statement. The discount will end if the AMA notifies Laurel Road that the borrower is no longer a member. This offer cannot be combined with other member or employee discounts.