

Refinancing Medical School Loans During Residency



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[Update 10/2018: Since this post was written, lots of changes have occurred, but the bottom line is that only two WCI partners are currently offering student loan refinancing residents, [SoFi](#) and [Laurel Road](#). More information can be found at the links or in this [more recent article](#) or simply in the chart at the bottom of this article.]

A little over two years ago, I announced that [residents were finally able to refinance their loans](#) (two years after it became possible for attendings or residents with attending contracts in hand.) [Darlen Rowayton Bank \(DRB\)](#) had finally managed to overcome the obstacles of lending money to people who, despite great income potential, had a terrible current debt to income ratio such that they basically didn't want to make payments at all for 3-7 years. As you can imagine, securitizing those loans and talking an investor into buying them would be challenging. I hoped that DRB would be very successful with this and that all the other lenders would soon do the same.

Another lender, LinkCapital, soon thereafter also started refinancing residents. That was an exciting development not only because a little competition usually means better terms

for the borrowers, but also because they even “one-upped” DRB by letting the residents not make any monthly payment at all instead of the token \$100 monthly payment DRB required. Unfortunately after a few months, for various business reasons, LinkCapital stopped lending all together for quite a while.

In addition, there were two developments that really affected this particular marketplace. The first was that borrowers realized that DRB didn't, and really couldn't, offer the same rates to a resident who wasn't going to make a real payment for years as they could to an attending (or resident with attending contact in hand) who would start making payments next month. While this shouldn't have been a surprise to anyone, it wasn't entirely clear just how much higher those rates would be until people started going through the application process and reporting back. It turned out that the best rate you could get as a resident was in the 5-5.5% range, which was only slightly better than many doctors had on their federal student loans.



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The second development was the introduction of the federal [Revised Pay As You Earn \(RePAYE\)](#) program in December 2015. While this program was in some ways worse than the original PAYE, it had a really nice provision- half of your unpaid interest each month was forgiven. This effectively lowered the

interest rate on federal student loans for most residents to a rate below the rate DRB (and of course, anyone else) could offer.

Because of those two developments, there hasn't been a grand stampede for residents to refinance their loans, although there is still a place for it for some residents. In addition, these developments have introduced way too much complexity into the decision of what to do with your student loans as an intern. Compared to the decision you make as an attending (refinance if you're not working for a 501(c)3, stay in IBR/PAYE if you are), an intern's decision is pretty tough and perhaps the best place in physician personal finance to [actually pay for some help](#).

In this post, I'm going to discuss three new developments in the resident refinancing world and then outline when I think refinancing makes sense for a resident.

DRB is Now Laurel Road

DRB is going through some rebranding of their student loan refinancing operation. Now the student loan refinancing division is called [Laurel Road](#) and I'll be referring to them as such from here on. Laurel Road refers to "the journey it takes for our customers to achieve their life goals and the inherent satisfaction once those goals are earned." The rebranding is accompanied by some serious investment and upgrades in technology and customer experience. Over the years, many WCI readers have refinanced with Laurel Road due to their great rates but occasionally have lamented an outdated website and some customer service headaches. With these upgrades, I expect those will go away while the great rates will remain. Can't complain about that.



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The [WCI-negotiated deal with Laurel Road](#) gives you \$300 cash back if you refinance through these links. Although attendings, especially those willing to go with a 5 year variable loan (perfect for those [living like a resident to get out of debt ASAP](#)), can get much lower rates, residents should expect rates in the 5-5.5% range, \$100 per month payments during residency, and the usual \$300 WCI bonus.

~~LinkCapital is Lending Again~~

Another positive development in this area is that LinkCapital has started lending again with a new resident program. For a long time, when a resident was interested in refinancing, they've only had one choice. Now they have two. That competition should keep rates as low as they can go and give you another option if you don't qualify with one of the lenders for some reason. In order to get started with a bang, LinkCapital is offering a promotional \$400 back to WCI readers who refinance through these links. This special offer runs out at the end of June though, so don't delay. You must have your application started in June to get it (otherwise you'll still get a bonus, but it'll be a lower amount.)

Aside from the special bonus, there are several other great reasons to consider LinkCapital. First, your monthly payment

is only \$75. While \$25 might not be much, it's better than a kick in the teeth, although not as good as the "old deal" of \$0 payments. Second, you at least have the potential of a lower rate. As of the date of publication (and obviously rates change over time) these are their published rates:

Term	Repayment APR
7-year	4.539%-6.648%
10-year	5.033%-7.159%
15-year	5.347%-7.339%
20-year	5.561%-7.517%

So, while you may end up with a higher rate than Laurel Road gives you, it's also possible you could get a lower one. Where your rate will fall in the published range is hard to say. It will depend on how long you need to defer the loans (i.e. longer residency = bad) and your credit. The obvious strategy is to apply with both companies and take the one with the lower rate.

Third, LinkCapital doesn't require you to maintain a bank account with them (nor does Laurel Road anymore). As with all of these lenders, there are no upfront fees, there are no prepayment penalties, and you can refinance at any time. In addition, your loans are forgiven in the event of your death or permanent and total disability. Bear in mind that Laurel Road will refinance you as an intern, but LinkCapital requires you to be a PGY-2 before they will refinance.

[Update 9/2018: We don't currently have a deal for WCI readers with Link Capital. I'm also told by someone who tried to refinance recently that they changed the income requirements to \$70K for each applicant, an amount that really makes this no longer a true resident program since most residents make

less than \$70K.]

Sofi Now Has a One Year Deferment for Senior Residents

[SoFi](#) also has a new resident related program for both physicians and dentists. Residents will be required to make minimum monthly payments of \$100 on their debt to SoFi until the end of your residency or fellowship program, up to 54 months. Residents and fellows can apply to refinance once you have been matched to your residency or fellowship program. Applicants must be within 4 years of becoming an attending physician or dentist. Any fellowship or extended residency training period must be agreed to at the time of refinancing. SoFi is also the only one of these companies that also has a [mortgage product aimed at doctors](#), with a \$500 bonus for WCI readers.

Who Should Refinance Their Student Loans as a Resident

Now, perhaps the most important question is whether you should refinance as a resident at all. Remember that any loan you refinance is no longer eligible for [Public Service Loan Forgiveness](#) and the other benefits of the federal programs. There are five questions you should ask yourself before refinancing your student loans as a resident. The first is:

1. Do I have any high-rate (i.e. >5-6%) student loans that aren't federal loans?

These include any private medical school loans you may have taken out. Those aren't eligible for the RePAYE interest subsidy

and they're not eligible for PSLF, so you might as well

refinance them if you can get a lower rate (which you usually can.)

The next question is:

2. Am I sure I will not be going for PSLF?

If you're absolutely positive that working at a 501(c)3 and going for PSLF is not in your future, then you can consider refinancing federal loans. If you're not sure, don't refinance.

The next question is:



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3. What is the effective rate of my federal loans under RePAYE?

This will differ for everyone, but if you are a married resident with kids and a stay at home partner, your effective rate could be as low as half of your loan interest rate. If you are married (and filing Married Filing Jointly) with your orthopedic surgeon partner, it is likely equal to your loan interest rate. Everyone else will be somewhere in

between. So [log in and figure out what your RePAYE payment will be](#). (While you're at it, [enroll in RePAYE ASAP](#)-i.e. even before your graduate med school.) Once you know your payment, you can calculate your effective interest rate.

If your RePAYE payment is \$200, and you have \$200K in loans at 6%, then your monthly interest charge is $6\% * \$200,000 / 12 = \1000 per month. So essentially, you pay \$200 a month, \$400 a month gets added to the loan balance, and \$400 a month is forgiven. Your effective interest rate equals:

$$6\% * (\$200 + \$400) / \$1000 = 3.6\%$$

Bear in mind that this effective rate is likely to change every year of your training along with your RePAYE payment.

The next question is:

4. What rate can I get from Laurel Road or LinkCapital?

So you will need to apply with both companies. This is all easily done online, and once you've gathered the paperwork for one, it's very easy to apply with another company. They'll generally give you a pretty accurate rate estimate very early in the process.

Finally,

5. Is the offered rate significantly lower than the effective rate?

If you can get a lower rate, take it. If not, check again next year. And of course, unless you're going for PSLF, be sure to refinance upon getting your attending contract in hand.



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Also, keep in mind that you can always refinance with Laurel Road as an intern, then check your rate a year later with LinkCapital to see if you can lower your rate further. Of course, unless interest rates go up significantly during your residency, you will probably be able to get a significantly lower rate once you have a contract in hand as you will then be able to refinance with any of these fine WCI partners:

Company
Cash Back
Rates
Residents?



\$500
Variable 2.25%-7.41%
Fixed 3.48%-7.02%
Yes
[Refinance Now!](#)

FIGURE
Student Loan Refi

\$200
Variable 2.212%-6.212%
Fixed 3.49%-6.99%
No

[Refinance Now!](#)



\$300

Variable 2.31% to 7.36%

Fixed 3.46% to 7.36%

Yes

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\$500

Variable 1.99% - 6.89%

Fixed 3.45% - 6.99%

No

[Refinance Now!](#)



\$300-750

Variable 1.90% - 8.65%

Fixed 3.49% - 7.75%

No

[Refinance Now!](#)



\$350

Variable 2.39% - 6.01%

Fixed 3.14% - 6.69%

No

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\$300

Variable 1.99%-6.65%

Fixed 3.50%-7.02%

Yes

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\$400-750

Variable 2.21% - 9.72%

Fixed 3.14% - 9.99%

No

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\$300

Fixed 1.95%-3.45%

No

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\$600

Variable 1.90%-4.14%

Fixed 3.10%-4.67%

No

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\$300-550

Variable 2.02% -6.30%

Fixed 3.21% - 6.45%

No

[Refinance Now!](#)

If you are a resident, or about to become one, you need to figure out your student loan management plan during residency. If you need professional help, contact these [WCI-vetted student loan specialists](#). If refinancing is right for you, I appreciate you going through the links on the site.

[Refinance with Laurel Road today!](#)

[Refinance with LinkCapital today!](#)

What do you think? Have you refinanced your loans as a resident? Would you consider it now? Why or why not? Did you have any private loans? Comment below!