

Deferment and forbearance factsheet.

Events like losing a job, getting sick and having financial trouble can create many challenges. In such situations, making on-time student loan payments may not be a priority.

Before missing any payments, though, know that under certain circumstances you can temporarily suspend your payments with deferment and forbearance. Find out about the important differences between these postponement options—and find the option right for you.

Deferment.

- Different deferments have different criteria.
- Unemployment, extreme economic hardship, enrolling in school at least half-time or active military duty may qualify you.
- If you meet the criteria and have deferment time available, you cannot be denied a deferment.
- During a deferment, the federal government pays any interest that accrues on your subsidized loans—but not on unsubsidized loans. Unsubsidized interest on deferred loans can increase the amount you owe overall.

Forbearance.

- If you don't meet the criteria for a deferment, you may qualify for forbearance.
- In most cases, forbearance is granted solely at the discretion of your lender or servicer.
- Forbearances are usually reserved for cases of financial hardship or illness.
- Unlike a deferment, in forbearance both subsidized and unsubsidized portions of your loan continue to accrue interest.
- At the end of the forbearance period, the interest is capitalized (added to the principal balance of the loan).
- Forbearance increases the amount you owe.

Choosing the right option.

Deferment and forbearance are both preferable to missing loan payments. But, because forbearance increases the amount you owe, try to first qualify for a deferment.

Also, before postponing repayment, see if it makes sense for you to lower your payments with a different repayment schedule. This can save you money and preserve your deferment and forbearance eligibility for situations when you really need it. There are limits to how much deferment and forbearance time you can use.

Under certain circumstances, borrowers may receive a deferment or forbearance that temporarily postpones or reduces student loan payments. Postponing or reducing payments may help a borrower avoid defaulting on a student loan. Borrowers must work with their loan servicer to apply for deferment or forbearance.

Deferment

Deferment is a period during which repayment of the principal and interest of a student loan is temporarily delayed. During deferment, loans will continue to accrue interest. The borrower is responsible for paying the interest that accrues during deferment,* but payments are not due during the deferment period. This means that any interest accrued during deferment will be added to the principal balance of the loan and the amount of the student loan payment after deferment will be higher.

Deferment

It is important for borrowers to work with their loan servicer to determine eligibility for deferment.* The most common situations that make borrowers eligible for deferment include the following:

- If you don't meet the criteria for a deferment, you may qualify for forbearance.
- In most cases, forbearance is granted solely at the discretion of your lender or servicer.
- Forbearances are usually reserved for cases of financial hardship or illness.
- Unlike a deferment, in forbearance both subsidized and unsubsidized portions of your loan continue to accrue interest.
- At the end of the forbearance period, the interest is capitalized (added to the principal balance of the loan).
- Forbearance increases the amount you owe.
 - Borrower is a member of the National Guard or other reserve component of the U.S. armed forces, and
 - Borrower was called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time.

Most deferments do not happen automatically, and borrowers will likely need to submit a request to the loan servicer. For in-school deferments (enrolled at least half-time), many schools will submit enrollment status to the National Student Loan Clearinghouse, which in turn notifies loan servicers of a borrower's enrollment status. However, it is the borrower's responsibility to ensure that deferments are properly posted, and the borrower should contact the school's financial aid office, as well as the loan servicer.

*For federal student loans, the government may pay interest accrued during deferment on:

- Federal Perkins Loans,
- Direct Subsidized Loans (Direct Loan Program) and/or
- Subsidized Federal Stafford Loans (FFEL Program).

Forbearance

If a borrower is unable to make scheduled loan payments and is not eligible for a deferment, the loan servicer may grant a forbearance. Forbearance is a period in which payments will be postponed or reduced for up to 12 months. During forbearance, loans will continue to accrue interest. The borrower is responsible for paying the interest that accrues during forbearance, but payments are not due during the forbearance period. This means that any interest accrued during forbearance will be added to the principal balance of the loan and the amount of the student loan payment after forbearance will be higher.

There are two types of forbearances:

- 1) Discretionary—The lender decides whether to grant forbearance. The forbearance can be requested for financial hardship or illness.
- 2) Mandatory—The lender is required to grant the forbearance. The forbearance can be requested for:
 - Serving in a medical or dental internship or residency program and specific requirements are met.
 - Total amount owed each month for all student loans is 20% or more than total monthly gross income (additional conditions apply).
 - Serving in a national service position for which a national service award was received.
 - Performing teaching service that would qualify for teacher loan forgiveness.
 - Qualifying for partial repayment of loans under the U.S. Department of Defense Student Loan Repayment Program.
 - Serving as a member of the National Guard and having been activated by a governor but not being eligible for a military deferment.

Receiving loan forbearance does not happen automatically, and borrowers will need to submit a request to the loan servicer. In some cases, a borrower must submit supporting documentation to apply for forbearance.