

# ▶ Forbearance vs Deferment ◀

What's the BEST choice for you?





## Published by:

US Student Loan Center  
2803 W. Busch Blvd.  
Suite 200  
Tampa, FL 33549

Copyright 2016  
US Student Loan Center, Inc.  
All Rights Reserved.

May be shared with copyright and credit left intact.

**[USSTUDENTLOANCENTER.ORG](http://USSTUDENTLOANCENTER.ORG)**

# Table of Contents

What Is Deferment & How Long Does It Last?.....	1
Deferment Qualifications.....	3
Deferment & The Military.....	5
Deferment & Interest: Is It Accruing?.....	7
What Is Forbearance & How Long Does It Last?.....	8
Forbearance Qualifications & Interest.....	9
What to Do When You Cannot Afford Your Payment: The Strategy To Take.....	11
How To Apply For Forbearance & What To Do If You're About To Default On Your Student Loans.....	14
How Do Student Loans Affect Your Credit Score?.....	16
Deferment vs Forbearance: Which Is Best For You? .....	17



## About Us

US StudentLoanCenter.org is a privately owned company made up of several teams of different people who have made it their jobs to help student loan borrowers make good decisions about their debt. Our goal is to help you manage and pay off your student loans in the best way possible so that you too may have a better financial future.

### **We thrive on 3 things:**

- Lowering Student Loan Payments to make them more affordable.
- Enrolling Borrowers Into the Most Beneficial Repayment Programs.
- Helping Borrowers Access Student Loan Forgiveness.

Plus... we are the constant support system the student loan community is currently missing.

If you need help managing, paying off, or have questions about your student loan debt, you can call us, email us, or get instant access to our most popular and useful articles circulating around student loans and you.

**813.775.2058**

**[info@ussudentloancenter.org](mailto:info@ussudentloancenter.org)**

# Deferment vs Forbearance

Deferments and forbearances are the two most common forms of “breaks” that student loan borrowers can take to help alleviate the requirement of making a payment each month.

Both can be great options for student loan borrowers to take if they need it.

But the issue that many borrowers face, is deciding which one to apply for... a forbearance or a deferment?

Which is the better choice and what will benefit you the most?

This guide contains the exclusive conversation between US Student Loan Center CMO Nick Bentley and Student Loan Expert, Marques McBride and covers absolutely everything you need to know about deferment and forbearance, so you can make a confident and smart financial decision about your student loans.

# What Is Deferment & How Long Does It Last?

## **Nick:**

Hey, everybody. Welcome to Episode 4 of Student Loans Ask Me Anything with Mr. Marques McBride. My name is Nick Bentley and I'm going to be your host today.

What you're about to hear is a conversation between both myself and Marques where we're discussing specifically-- deferment versus forbearance-- when to use them, who would use them. We'll give you a couple of examples of when that might be applicable and then some of the benefits of it, and more importantly, some of the things to watch out for.

So, Marques, thanks for joining me today, man.

## **Marques:**

It's always a pleasure. I always want to equip the people with the knowledge that they need so that they don't get cornered in these student loans, and they can tick graphs, get back ahold of them and be back in good standing. This is a good question about deferment versus forbearance. It always gets mixed up.

## **Nick:**

Yes. It's something that comes up quite a bit in the day-to-day conversations.

I think what we want to do here, Marques, is-- I kind of want to go through each of them individually and then have your knowledge instilled, because you're on the phone with these guys. You've done thousands of these things over the course of the years. There's definitely some things to watch out for, and some benefits. Some pros and cons, I guess, would be the right way to put it.

So, let's start with deferment. ***What is deferment?***

## **Marques:**

What is deferment? All it is, is basically a suspension on your loan payments. It's a postponement of your payments for a certain amount of time, but it's only approved by certain conditions.

## **Nick:**

So, you said, "for a certain amount of time." Can you explain that a little bit?

**Marques:**

Yes. You can be asked to be placed on deferment for up to three years at a time. So, if you have some sort of hardship or you've got stuff going on, and you just don't have enough money to be paying towards your loan at the time, you can place it on deferment-- it has to be approved by application. Three years.

# Deferment Qualifications

**Nick:**

OK. So, you said that there are a couple of guidelines. Can we talk about the ***qualifications for deferment?***

**Marques:**

Yes. Qualifications. So, when it comes to deferment, the things that will qualify you-- first of all, you have to submit an application. You have to obtain that application through either your servicer or we can provide it to you as well here at USSLC. But the certain things are, if you're either unemployed-- you cannot find a job-- or you've been unemployed or have not had a full time job for a span of up to three years.

Also, there's something called economic hardship. And, how to prove economic hardship is if you have certain government assistance, like food stamps, SNAP and things of that nature. If you're in school -- while you're in school it's called an in-school deferment-- you don't have to make payments toward your loans while you're in school.

**Nick:**

Is that for both undergraduate and graduate?

**Marques:**

Yes. Correct. If you're currently enrolled, then you don't have to make a payment toward your loan until after you graduate. Then, they give you a grace period as well. But, yes, while you're in school you qualify for in-school deferment and also military.

**Nick:**

OK. Let's hit on that in a little bit.

Do certain types of schools qualify? For instance, for-profit versus not for-profit or just public, general schools. Is there a difference?

**Marques:**

Well, the only difference is-- it doesn't matter what type of school you go to. The only difference is the type of loans that you take out. In-school deferment and all of these DANTEs-- if you will-- are only for federal student loans. Private loans are their own beast, because because the funds are coming from a private entity and they go by their own rules. It's the same as if you go and finance a car or what-have-you. They have their own set of rules in how you can go about payments.



**Nick:**

So, it doesn't matter if you're going to-- I went to Florida State University-- so, it doesn't matter if you're going to FSU or if you're going to--

**Marques:**

Wyoming or something.

**Nick:**

Wyoming or the community college or the trade school. It doesn't matter.

**Marques:**

Yes. As long as it's federal, you can place the loans into deferment or forbearance. Yes.

**Nick:**

So, you kind of hit on economic hardship and how to prove that, and I know one of the things that comes up is discretionary income.

Can you explain some of that? Because not everybody qualifies, and some of the things that you put on the form matter, and what qualifies as economic hardship? If you're unemployed then you're unemployed, but there's also being employed and having economic hardships as well.

**Marques:**

Yes, being employed and making less money than the standard of the city. Certain things they take into consideration-- your location, what state you live in, and also your family size and how much you're making. All of that is taken as a factor. The cost of living in California is drastically different than the cost of living somewhere else like Nebraska or somewhere like that. So, all of that they take into consideration. So when it comes to income, they look at the gross amount of your income instead of the net. So yes, you may take home this amount, because you have all these kinds of deductions, but they look at things before any of the deductions come out of your pay.

**Nick:** OK, that's a biggie.

**Marques:** Actually huge, something that you must understand.

**Nick:** So lets not look at at what gets deposited into the checking account, but what's on the pay stub each pay period?

**Marques:** Yes, absolutely correct, the gross amount is what it is called.

# Deferment & The Military

**Nick:**

Gotcha.

And you kind of hit on the one example of the people that are making less money and they just can't afford their student loans and they got electricity bill to pay and they got food to pay for their kids and those type of things, but you gave us one more example of military. Can you touch on that?

**Marques:**

Yes. And ***there is a whole separate application when it comes to military***, it's a military deferment and it just just confirms that you are active-- in the military, they have all these different questions on there to confirm your activity and where you are stationed and what have you. But yes, once they confirm that you are indeed active in the military, they'll place the loans in the deferment for you.

**Nick:**

And how long after active duty do... I guess... When you become inactive... Is there a grace period like when you graduate school, or how does that work?

**Marques:**

The thing is, when it comes to these deferments, it's up to three years and then after every third year you can submit over for another.

I guess you can think of it like re-certifying, if you will, or reapplying, if you will. But yes, three years at a time if the highest that you can go and then, at that point you will have to submit over another form, and prove it.

**Nick:**

Do you get to ask for a couple of months or that time period or is that a set three years that you get?

**Marques:**

Yes, it can just be for a certain particular time that you need it, but obviously the maximum is three years.

**Nick:**

OK. So if there anything that if you were to go and apply for deferment with either your servicer or with us here at USSLC or whatever it is, that you would suggest that people need to watch out for or what to look for?

**Marques:**

When it comes to deferment, whenever there are applications involved is what you really want to watch out for, because-- if you fill it out a certain way or some way incorrectly, or there is something that cannot be proven or submitted in a way that can't be proven-- it'd be denied. And if you're denied you're out there in the waters and you still have that payment that's creeping up on you and you have to worry about.

So, us at USSLC-- not to advertise it, but we do it for you, we submit everything over and make sure it gets approved so it can ensure that you're going to get under that deferment or what have you.

# Deferment & Interest: Is It Accruing?

**Nick:**

Now, before we switch over to forbearance, let's say we were to apply for deferment and we got accepted for six months-- *does interest accrue?*

**Marques:**

Yes, so this is the thing-- there are certain loans that interest does not accrue and those are subsidized loans. You have direct subsidized loans, federal family educated subsidized loans, or FFEL, if you will, and Perkins loans, too, as well. The interest does not accrue during that time span. But any other loans, that are unsubsidized-- and that's the difference between subsidized and unsubsidized-- if it's unsubsidized the interest actually still accrues whether it's deferred or forbearance or what have you.

**Nick:**

Have you got anything else on deferment you want to chat about?

**Marques:**

That's the basis of it, at the end of the day really in conclusion it can be deferred and on hold for up to three years. Three years means that there's no payments that's due among that time frame of the three years.

Unlike the forbearance, the deferment you have unlimited time that you can use so as long as you get approved and you can prove that you're going through a hardship at that time that you apply, you can get on a deferment. So those are the good things.

The only thing that I would say that's bad about it is really the application, if you will. Because you have to prove and provide that proof that you are going through a hardship in order for you to obtain it, versus forbearance which we are going to dabble into now-- something that's due unto you that you can use at your leisure.

# What Is Forbearance & How Long Does It Last?

**Nick:**

So let's just make the transition to forbearance we've covered a lot of that. ***So what is forbearance?***

**Marques:**

OK. It's kind of similar-- it's a period where it's temporarily suspended, your monthly payment is temporarily suspended. It's kind of the same thing; you won't have any payments at the time. But, this is the thing-- the good thing about it is you don't have to apply for it, you have 36 months of forbearance time to use at your disposal, at your leisure.

# Forbearance Qualifications & Interest

**Nick:**

Anybody that graduates with federal student loans?

**Marques:**

Anybody can use it. Right when you have the loan, right when you have the life of the loan, you have the full 36 months that you can use. You don't have to apply for it. You don't have to prove anything. You don't have to send in any verifications. You can just simply request it and it will be given to you.

**Nick:**

That's interesting that they would allow that. That would be kind of nice if they would let you do that on your mortgage, right?-- I don't want to make my payment this month.

**Marques:**

"I don't feel like we could pull it off for two or three months."

**Nick:**

The next question was-- ***what are the qualifications?*** It sounds like you just have to have student loans to be eligible.

**Marques:**

Yes.

**Nick:**

Is it anything different with subsidized or unsubsidized?

**Marques:**

No. There isn't a difference. Any of the loans can be placed in forbearance. It is just that the interest is going to accrue regardless.

**Nick:** OK.

**Marques:** With anything that comes with loans, there is some sort of an interest rate.

**Nick:**

*So, in forbearance, regardless of the loan type, we are accruing interest.*

**Marques:**

You are accruing interest. That is the difference.

**Nick:**

In deferment, only unsubsidized loans accrue.

**Marques:**

Yes. So it pays to be able to prove your hardship and get a deferment.

**Nick:**

If you can.

**Marques:**

-- if you can, so that you don't have to have that interest accruing only on the subsidized loans. So with the subsidized loans are not going to be accruing.

But with forbearance though, every loan, no matter what type it is, interest is still going to accrue.

**Nick:**

Gotcha. That is probably one of the major stick points, right?

**Marques:**

Yes.

# What To Do When You Cannot Afford Your Payment: The Strategy To Take

## Nick:

It is kind of like you have given these things and you have to pick and choose when you use which one, if you would qualify.

So when we are thinking about who would use forbearance-- I know when we graduate college, and we are due to pay on these student loans that we are given a grace period. But we also know that a lot of millennials graduating, more and more of them are living with Mom and Dad and may not be able to have the financial stability that a lot of the other generations had upon graduating college.

So like-- "commoditize" the undergraduate degree. It is less valuable than it use to be.

But is that something where, if you are about to come out of your grace period and you still can't afford, that that would be something that would make sense? Or...

## Marques:

No. This is the thing-- ***you want to think strategy***. Because even with forbearance, you have that certain amount of time frame. You have 36 months and you want to use it wisely because once it is gone, it is gone. You do not want to get back into a pit where you can't prove your deferment and you have that payment stuck in your face. So you really want to act wisely.

First I would advise someone to look into what can cause their payment to get lowered. Because, if you can get under an income driven repayment that is based off your income and family size and cause you to have either a zero dollar payment or a payment that you can afford, you don't have to use your forbearance time.

You don't have to go into deferment. So I would... I would advise to try that option to see how low you can get your payments. Because, it does not make sense to go into deferment or forbearance if you qualify for a zero dollar payment.

## Nick:

See man? This is why I got you here. Because I don't know this stuff. Because, that is actually really good information that-- a lot of people with you and your team over here that help all of our people-- you guys know this. You don't graduate school knowing this.

So if you can qualify for a zero dollar payment by submitting an application and getting accepted into an income driven plan, you don't have to use up any of your time, you do not have to accrue any interest, but you've got to go through that process.



**Marques:**

Exactly.

It is a process, but it's worth having a zero dollar payment and having your full forbearance time and your emergency time basically, to use whenever you need to.

**Nick:**

OK. So can you give me a couple of examples of people that have used forbearance strategically? Or information that you have given people on strategy for that, that makes sense to... Let's say the guy who can't qualify for a deferment.

**Marques:**

So this is... The guy that can't qualify for deferment, we can place in forbearance until we can get some proof of income over and submit over an application to get him under an income driven, that will cause him to get a low payment. By the time the forbearance is up, he will get a new statement with a new amount.

**Nick:**

So, if you are going through the process maybe put on forbearance for a couple months, or see however long that process takes--

**Marques:**

Yes, give you some time to send something in that's low so you can get it based off that low pay stub, to get you a good one.

I am gonna tell you-- this is a really big nugget guys. This is special, alright. This is really special.

**Nick:**

Hold on! [laughs]

**Marques:**

This is good. This is just an example.

You have teachers. That they only work 10 months out of the year? Now this is the thing-- throughout that whole year, that teacher's salary could be good or what have you. But those two months that they are not working, or they are working that little side job at Dollar Tree trying to get ends to meet until they start working again-- if at that time... Sometimes their teacher income will cause them to have a high payment-- we can place them on a forbearance, strategically, until they get that low pay stub from that Dollar Tree job or whatever.

You get that low pay stub from that part-time job and utilize that and have your payments calculated based off of that because that is the only income that you are receiving at the time. It may cause you to have a zero dollar payment or something low.

So different strategies like that that you can use forbearance to your advantage or deferment to your advantage. And that is another way that we help people too as well-- we figure out stuff like that. Get these people under something that is affordable.

It's a strategy to things.

**Nick:**

So...

I know you said that there wasn't really an application process, but if you miss a payment, you are not automatically placed on forbearance, right?

**Marques:**

No.

# How To Apply For Forbearance & What To Do If You're About To Default On Your Student Loans

**Nick:**

*So how do you apply for forbearance?*

**Marques:**

There are two ways. This is the thing-- and this is the one-up that forbearance has over deferment-- if you are past-due or you miss a payment or you are a couple of months behind on payments, if you place your loans on forbearance, it will back date and it will bring you back current.

**Nick:**

Oh, wow.

**Marques:**

So you don't have to make those missed payments that you had before. You are right back to zero.

**Nick:**

Let's recap that.

**Marques:**

Oh, yes.

**Nick:**

So if you miss a payment, that can affect you in a lot of different ways--

**Marques:**

Absolutely.

**Nick:**

-- but if we apply for forbearance, you can be back dated.

**Marques:**

Yes. And you will be brought back current.

Very extreme case, and I have seen a couple of extreme cases-- there were clients that were actually in default. Their loans defaulted and they were in transition on going to a collection agency. And default, man, you are 200 something days past due and things of that nature.

**Nick:**

You just say "I am not going to pay. I just made the decision I am not paying."

**Marques:**

But if you catch it right before it goes to a collection agency, if you place your loans on forbearance, it will back date all of those 200 something days. It will take it out of the threat of default, and will not allow it to go to collections and will stay with your servicer and you'll be brought back current. That's the power of forbearance.

**Nick:**

That's crazy. Because they didn't default-- I don't want to go down that rabbit hole. But that's a whole 'nother rabbit hole.

**Marques:**

Another episode.

# How Do Student Loans Affect Your Credit Score?

**Nick:**

But that can really help you avoid credit problems.

**Marques:**

Exactly.

**Nick:**

Because when you go late on your student loans... And the thing about this is-- guys, most times, your student loans are the first trade line that goes on your credit report. So when you come... And maybe you get a small credit card while you're in college or maybe you have a job and you can qualify for an auto loan or something, but if you start defaulting on your very first trade line-- that's really going to affect your credit impact, which affects a whole 'nother slew of things. So that's really good information -- is if you are in trouble, know that you do have forbearance.

I graduated with student loans. I didn't know what the two words meant. I didn't know the two words existed. I just paid it.

If I ran into trouble, I guess I may have looked for help. But it's always better to look for help than run and not pay. Luckily, the government-- and I don't know whether strategically, as a nation, it's a good decision to let people not pay on their loans, but we'll take...

The people are going to take advantage of it, but you've got to get out there and you've got to ask for it.

**Marques:**

Yes. Absolutely.

# Deferment vs Forbearance: Which Is Best For YOU?

## **Nick:**

Before we wrap up, is there anything else you think-- deferment versus forbearance... And I wanted to keep this really honed in on these two things and not go down a rabbit hole. But is there anything that between deferment and forbearance you think is important to know?

## **Marques:**

Yes.

One, it's to let you guys know, really, at the end of the day, you have these two weapons that you can use, in case there is any point that you need to postpone your payments, that you need some sort of payment arrangement, that you need some time to breathe.

Deferment-- if you're going through some sort of hardship that you can prove, if you get that application, you can fill it out, you can get approved and have your loans postponed for a whole three years.

Forbearance-- forbearance, you have at your disposal, you can use at your disposal 36 months that you can use, and you can just use that either calling the servicer on the phone-- hey, I want to place my loans on forbearance-- or you can send in an application; there's an application too, but it's not a proof thing, you just fill it out.

Know that you guys have this, and if you're passed due, you can use that forbearance to get you back going and you'll be brought back current to get you some time, so you can get your loans down to an affordable amount, through possibly income-driven.

So you have these things to use at your disposal; please use it; know what it is; know the difference. I would say try to get a deferment first; if you're denied, use your forbearance.

## **Nick:**

I got nothing to add. That was a good wrap-up right there.

Alright guys. We're going to go ahead and wrap this up. Hope you enjoyed it. Let us know if you have any questions at all. Always willing to help, just let us know.

# So What's Next?

Still have questions or need help deciding what to do next or what is the best option for you?

Our goal at US Student Loan Center is to provide the best information out there on student loans so borrowers are confident with the financial decisions they make about their debt.

**Call us at 813.775.2058 or visit <https://usstudentloancenter.org/get-in-touch/> to find out your relief options today**