Postponing Loan Repayment During Residency

There's a benefit to federal student loans of which you may be unaware, and that's the ability to temporarily postpone your loan payments through grace, deferment, or forbearance. When you're in the early phase of your medical career – and money is tight – a temporary reprieve may be the "budget-saver" you need.

Grace: What Is It?

Some loans automatically grant a "grace" period after graduation. During a grace period, no loan payments are due. Although not all loans have grace periods, two that do are Stafford Loans (six-months) and Perkins Loans (nine-months).

The Loan Repayment Timeline presents a visual comparison of loans and their accompanying grace periods. Check your promissory note(s) or contact your servicer(s) to determine if your loans offer a grace period.

Deferment: What Is It and Who Qualifies?

Deferment is a temporary suspension of loan payments, during which time interest does not accrue on subsidized loans. There are various types of deferments, and a complete list is included within the Education Debt Manager.

The eligibility for deferment can be restrictive – with many residents not qualifying, or at least not qualifying during the traditional residency timeframe.

Forbearance: Another Option

If you cannot afford to make payments on your student loans, and you are ineligible for a deferment (or have exhausted the deferment time limitations), a servicer may provide a forbearance, in increments of up to 12-months. This is a period of time in which you can either make payments lower than those previously scheduled – or delay making payments completely.

During forbearance, interest is accruing on both subsidized and unsubsidized loans. The accrued interest is added to the loan's principal through a process called capitalization. Capitalization results in an increase to the total cost of the loan.

Mandatory Medical Residency Forbearance

As a medical resident, you are entitled to a mandatory residency forbearance, which is available in annual increments, and can be used to postpone payments throughout residency. It is important to clearly identify yourself as a medical resident in order to be approved for this forbearance from your servicer, and it is equally important to complete the proper forbearance paperwork in a timely manner.

To request a deferment or forbearance, contact your loan servicer(s).

The Alternative to Postponing Payments

The alternative to postponing payments while in residency is to make payments. Required monthly payments can range from zero to a full monthly payment amount, which depends on the type of repayment plan you are enrolled in. If you're concerned that your salary is too low to afford a Standard 10-year repayment amount, then the income-driven repayment plans could be another alternative for you.

Payments under the income-driven plans are based on your discretionary income and family size. Some of these plans may even offer interest subsidies and loan forgiveness. To learn more about the repayment plans, visit the Federal Student Aid website and to examine your possible monthly payment amount use FIRST's Medloans® Organizer and Calculator (MLOC).

Income-Driven Repayment Plans

Income-Based (IBR)
Pay As You Earn (PAYE)
Income-Contingent (ICR)
Income-Sensitive (ISR)

Other Repayment Plans

Standard
Graduated
Extended