Do I have to pay my student loans if I’m unemployed?

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Key takeaways

- You do still have to make payments or make alternative arrangements with your lender while unemployed. If you make no payments, your loans will eventually go into default.
- Forbearance, deferment and alternative payment plans are some of the options available if you’re unemployed and cannot make loan payments.
- The options available differ based on whether you have federal or private student loans.

Repaying student loans while unemployed can be challenging on top of your various everyday bills, such as your rent and groceries. Luckily, many lenders offer options to help you manage your student loans while unemployed. Your options vary depending on your student loan type — federal or private — but generally include forbearance, deferment and alternative repayment plans.

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If you’re unemployed, you’re still on the hook for your student loan payments unless you request a specific form of relief from your lender. In other words, your student loans don’t automatically go into deferment or forbearance once you become unemployed.

Lenders that do offer periods of forbearance typically limit those periods to a few months at a time and a few years total over the life of your loan, so if you’ve taken advantage of one before, you may not have the option available. In this case, you would have to continue paying your loans while unemployed.

How to reduce your student loan payments while unemployed

If you're unemployed and looking for ways to adjust your student loan payments, you have a few options; however, your options depend on whether you have federal or private student loans.

Federal student loans

Unlike private student loans, federal student loans offer standardized benefits for all borrowers. If you have a federal student loan and are looking for ways to lower your payment, try one of the following:

- **Deferment or forbearance.** The federal government offers unemployment deferment, which allows you to pause your payments for up to three years — although interest may accrue during this time. To qualify, you'll need to be receiving unemployment benefits or be seeking and unable to find full-time employment.
- **Income-driven repayment plans.** Income-driven repayment plans base your monthly payments on your income and household size. If your income is $0, your payments can be as low as $0 as well. The payments stay this way until your income changes. The downside is that you will be placed on a new repayment plan lasting 20 or 25 years.
- **Graduated repayment plan.** If you don't want to commit to the 20- or 25-year repayment period of an income-driven repayment plan, you can instead consider switching to the graduated repayment plan. This plan will start your payments low and increase them every two years for 10 years total for most types of federal loans. This is ideal if you're currently unemployed but have plans to return to the workforce soon.

Private student loans

Private student loan lenders all set their own options for lowering student loan payments, so the programs available depend on your lender. However, you may find options for:

- **Deferment or forbearance.** Most lenders offer deferment or forbearance to pause your loan payments for a few months at a time. Most lenders cap these programs at 12 or 24 months over the life of your loan.
- **Unemployment protection.** While it's rare to find programs specifically tailored to unemployed borrowers, you may find unique benefits with some lenders.
- **Refinancing.** If you're struggling with student loan payments and your lender doesn't offer deferment, you may choose to refinance instead. In this case, you'll still be on the hook for student loan payments, but you may be able to negotiate a lower monthly bill.

If you aren't sure what your lender offers, it's worth asking. Many lenders would rather work with you on a compromise than see you default on your loans, so give your lender a call to see what options are available to you.

How to apply for unemployment deferment

Deferring your loans may be the smartest option if you're experiencing temporary unemployment. If you have federal student loans, you can complete an unemployment deferment form to apply. The questionnaire will let you know if you're eligible for deferment or not. You'll send this form, along with any relevant documentation, to your loan servicer.

If you have private student loans, the process of applying for deferment depends on your lender. Many will have instructions for applying on their websites or in your online account, although you'll likely have to call your lender to find out your options.

What happens if you don't pay while you're unemployed?

If you're a few days late on your student loan payment, your loans become delinquent, and they remain that way until you pay the past-due amount or change your payment plan. Eventually, if you make no payments, your loans will officially go into default; this happens after 270 days of nonpayment for most federal student loans, and typically after 90 days of nonpayment for private loans.

In the short term, late payments mean getting hit with late fees. However, loan servicers will also report late payments and defaults to the credit bureaus, which means that your credit score will start to drop.

Your credit score taking a nose dive hurts your chances of borrowing in the future, whether it's applying for a credit card, an auto loan or a mortgage. It also means that you could lose out on earnings until your loan is paid. For instance, your tax refund, federal benefit payments and wages could all be garnished to pay off your outstanding student loan debt — so it's important to get ahead of your student loans before you hit that default stage.

Bottom line

If you're unemployed and having trouble repaying your student loans, contact your lender or loan servicer immediately to see if it offers deferment, forbearance or unemployment protection. Continue paying your student loans until your lender approves you for forbearance or another alternative repayment option to avoid negative consequences, like late fees and severe harm to your credit.