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What Is a Loan Extension and How Does It Work?

A loan extension may provide temporary payment relief by allowing eligible borrowers to postpone one or more upcoming loan payments. In many cases, the deferred payment amount is moved to the end of the loan term, which can extend the loan's maturity date by the number of payments delayed. While payment requirements may pause during the extension period, interest will generally continue to accrue according to your loan agreement.

Loan extension requirements vary by lender. You may be asked to demonstrate that your financial hardship is temporary, such as unexpected medical expenses, vehicle repairs, or another short-term situation affecting your finances. Lenders may also want to confirm that you are able and willing to resume regular payments after the extension period ends.

Some financial institutions require borrowers to have a record of timely payments before approving an extension request. There may also be restrictions regarding how often loan extensions can be used during the life of a loan. In some cases, fees may apply and could be based on a percentage of the remaining loan balance or a flat amount. It is always a good idea to ask your lender about any associated costs before agreeing to an extension. Final approval decisions remain at the discretion of the lender.

A loan extension is not necessarily the right solution for every situation. However, for borrowers experiencing a temporary financial challenge, it can provide short-term flexibility when unexpected expenses arise.

Southwest Montana Community Federal Credit Union will once again offer Holiday Extensions beginning November 15, 2026. Contact a loan officer to learn more and determine whether you qualify.