



## PUB. L. 116-136 CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

# Student Loan Repayment Implications

### TAKE A DEEP BREATH

In response to public health and economic needs due to the Coronavirus pandemic, Congress passed emergency legislation that was signed into law by President Trump on March 27, 2020. Included in this legislation are several provisions to provide temporary relief to the 44.7 million Americans with student loan debt.

This document provides a summary of the key provisions included in the legislation. Keep in mind new legislation and questions are likely to arise as details of the bill are worked out. Resources are provided at the end of this summary so that borrowers have access to accurate and updated information as the implementation of the legislation progresses.

### DOES THE LEGISLATION COVER ALL TYPES OF STUDENT LOANS?

Most of the provisions included in this legislation refer to **federal student loan debt owed by the U.S. Department of Education**, specifically, Direct Loans and Federal Family Education Loans (FFEL).

The legislation does not cover private loans obtained through commercial financial institutions, Perkins Loans, and FFEL loans held by commercial banks. *Borrowers with these loans should contact the loan servicer directly to understand what relief is available.*

### DO I HAVE TO MAKE PAYMENTS ON MY FEDERAL STUDENT LOANS?

If your federal Direct Loans and/or FFEL student loans are in good standing, payments are suspended on these loans until September 30, 2020. You do not need to take any action; your federal loan servicer will suspend the payments.

If your loan is in default and you are subject to involuntary collection efforts (e.g., wage garnishment, benefits withheld), these collection efforts are suspended until September 30, 2020.

### WHAT ABOUT INCOME-DRIVEN REPAYMENT (IDR) PLANS?

If you are in an income-driven repayment plan, payments are suspended under this legislation and count as on-time payments.

### WHAT ABOUT DEFAULTED LOANS CURRENTLY IN REHABILITATION?

For defaulted loans currently in a rehabilitation plan, payments suspended under this legislation count as on-time payments.

## **HOW DOES PAYMENT SUSPENSION AFFECT MY PUBLIC SERVICE LOAN FORGIVENESS (PSELF) LOANS?**

If you are in a loan forgiveness program, payments suspended under this legislation count as qualifying payments.

## **HOW DOES BEING FURLOUGHED AFFECT MY FEDERAL STUDENT LOANS?**

Regardless of employment status, during this period, all payments on federal loans are suspended, and no additional interest will accrue.

## **SHOULD I APPLY FOR AN AN IDR REPAYMENT PLAN OR AN ADMINISTRATIVE FORBEARANCE?**

If your income has changed significantly and you are debating between applying for an IDR repayment plan or forbearance, keep in mind that you may qualify for lower monthly payments in an IDR plan. This payment could be as low as zero dollars.

It is extremely important if you are pursuing Public Service Loan Forgiveness or Income-Driven Repayment (IDR) forgiveness. A zero-dollar IDR payment counts toward the required 120 payments, whereas **time spent in an administrative forbearance does not count toward the required payments,**

## **SHOULD I OPT-OUT OF - OR REQUEST - AN ADMINISTRATIVE FORBEARANCE?**

You can request an administrative forbearance by contacting your loan servicer at any time. However, if you are at least 31 days behind on your payment as of March 13, 2020, or become more than 31 days delinquent after that date, you will automatically be placed in an administrative forbearance during the COVID-19 national emergency.

## **DO HEALTH BENEFITS COUNT AS INCOME WHEN CALCULATING A REPAYMENT PLAN?**

Employer-paid health insurance premiums *are excluded* from gross income of affected workers because active, inactive, and former employees are treated the same under the tax rule that makes available the exclusion of employer-paid premiums from gross income (Code Section 106).

## **CAN I MAKE PAYMENTS DURING THE SUSPENSION PERIOD?**

If you can continue making loan payments, do so! The full amount of any payments made during this period of no interest are applied to principal, **once all the interest that accrued before the March 13, 2020 announcement is paid.**

## **WILL I RECEIVE ANY OFFICIAL NOTIFICATION ABOUT THE SUSPENDED PAYMENTS?**

Borrowers whose loans qualify for payment suspension or involuntary collection suspension are to receive notification from the Secretary of Education with 15 days of the

legislation (~ April 10, 2020). Borrowers will also receive at least six notifications about when to resume normal payment obligations, beginning on August 1, 2020.

### **WHAT ELSE SHOULD I DO?**

This legislation provides temporary relief to borrowers whose student loan debt is held by the federal government only.

- Keep careful records of all information, notifications, and correspondence received regarding your student loans.

For student loans not covered by this legislation, contact your loan-servicing institution to find out what your options and obligations are.

- If you are unsure who services your non-federal loans (e.g., private bank loans), check your credit report. To obtain a free copy of your credit report from each of the three primary credit reporting agencies, visit [www.annualcreditreport.com](http://www.annualcreditreport.com).

### **WHO CAN I TALK TO ABOUT MY SPECIFIC SITUATION?**

Contact your loan servicer if you have specific questions or concerns about your federal student loans. If you do not know who your servicer is or how to contact them, visit [StudentAid.gov/login](http://StudentAid.gov/login) or call us at 1-800-4-FED-AID (1-800-433-3243; TTY for the deaf or hearing-impaired 1-800-730-8913) for assistance.

### **ADDITIONAL RESOURCES**

- Department of Education - Federal Student Aid  
<https://studentaid.gov/announcements-events/coronavirus>
- Consumer Federal Protection Bureau  
<https://www.consumerfinance.gov/about-us/blog/what-you-need-to-know-about-student-loans-and-coronavirus-pandemic/>
- National Consumer Law Center  
<https://www.studentloanborrowerassistance.org/what-the-cares-act-means-for-repayment-of-federal-student-loans/>

### **QUESTIONS OR COMMENTS?**

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