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BUILDING AND SAFEGUARDING YOUR FINANCIAL WORLD

Federal Student Loan Borrowers Get Some Relief Due to COVID-19

A 60-day period, for now

The Department of Education may extend the 60-day interest waiver and administrative forbearance period that began on March 13, 2020, depending on the status of the COVID-19 national emergency.

On March 20, 2020, the Department of Education announced terms for student loan relief for tens of millions of borrowers in response to COVID-19.[1] Here are answers to some questions about the new rules. For more information and to follow subsequent potential rule modifications, visit the federal student aid website.

Does the relief apply to all student loan borrowers?

No. Only borrowers with outstanding federal student loans—not private student loans—are eligible. In addition, only federal student loans owned by the Department of Education are eligible. This includes Direct Loans (which includes PLUS Loans), as well as Federal Perkins Loans and Federal Family Education Loan (FFEL) Program loans held by the Department of Education. (Note: some FFEL Program loans are owned by commercial lenders, and some Perkins Loans are held by educational institutions. These loans are not eligible for relief at this time.)

What specific relief is being offered?

There are two parts to this relief:

Interest waiver: All borrowers with eligible federal student loans will automatically have their interest rates set to 0% for a period of at least 60 days beginning March 13, 2020. The Department of Education may extend this period, depending on the status of the COVID-19 national emergency at the end of the 60-day period.

Suspension period: In addition, borrowers will have the *option* to temporarily suspend their student loan payments. This administrative forbearance period will last for at least 60 days from March 13, 2020. Again, the Department of Education may extend this period depending on the status of the COVID-19 national emergency after the 60-day period is up.

Will a borrower's monthly payment go down because interest is being waived?

No. A borrower's monthly payment will remain the same. During the period of no interest, the full amount of a borrower's payment will be applied to outstanding principal after all the interest that accrued before March 13, 2020 is paid.

Is the 60-day suspension of student loan payments automatic?

No. Borrowers will have to proactively request a forbearance with their loan servicer. All federal loan servicers are required to grant an administrative forbearance to any borrower who requests one. If the 60-day period for an administrative forbearance is extended by the Department of Education , borrowers will be contacted by their loan servicer who will communicate information about any e xtension .

For borrowers who request a forbearance, loan servicers are responsible for cancelling any scheduled automatic debit payments. At the end of the forbearance period, borrowers will have to re-institute automatic debit payments; they will not automatically resume.

Note: Borrowers who are at least 31 days behind on their payment as of March 13, 2020, or borrowers who become more than 31 days delinquent after that date, will be automatically placed in the administrative forbearance to give them a safety net during the COVID-19 national emergency.

How can borrowers contact their loan servicer?

Borrowers should contact their loan servicer online or by phone. For borrowers who do not know who their s ervicer is or how to contact them, they can visit studentaid.gov/login or call 1-800-4-FED-AID for assistance.

Can borrowers keep paying their federal student loans?

Yes. Borrowers are still able to continue their student loan payments as usual and do not need to contact anyone if they wish to keep making payments.

What should borrowers do i f they have experienced a change in income ?

Borrowers who have experienced a change in income (whether from COVID-19 or another reason) can contact their loan servicer to discuss other options for pausing or lowering their monthly payment. Specifically, traditional deferment and forbearance options can allow borrowers to temporarily stop making monthly loan payments (typically for a period up to six months), while different loan repayment plans may result in a lower monthly payment.

Borrowers who already have an income-driven repayment plan can ask to have their monthly payment recalculated at any time. They should c ontact their loan servicer for more information.

1) U.S. Department of Education , March 20, 2020; studentaid.gov

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