

Student Loan Relief in the Federal CARES Act

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Issue

Summarize the relief that the federal CARES (Coronavirus Aid, Relief, and Economic Security) Act gives to federal student loan borrowers.

Summary

The CARES Act, an economic stimulus bill signed by the president on March 27, 2020 ([H.R. 748](#), § 3513), gives temporary relief to federal student loan borrowers in the form of (1) payment and interest accrual suspension and (2) consideration of suspended payments toward loan forgiveness and rehabilitation programs. The act requires the U.S. secretary of education to notify borrowers about the relief program terms and duration.

Payment and Interest Accrual Suspension

The act requires the secretary to suspend all federal student loan payments for Direct Loans, Perkins Loans, and Federal Family Education Loans (FFEL) that are held by the U.S. Department of Education through September 30, 2020.

[Guidance to borrowers](#) issued by the department specifies that:

1. this automatic “administrative forbearance” period begins on March 13, 2020; however, borrowers can continue to make payments if they choose;

2. payment suspension does not apply to FFEL program and Perkins loans that are not held by the department (i.e., those owned by commercial lenders or by the higher education institution attended) or any other privately held student loans.

Under the act, payment suspension includes suspension of involuntary collection methods for loan repayment: specifically, wage garnishment, tax refund reduction, reduction of any other federal benefit (e.g., Social Security), or any other collection activity by the department.

The act also pauses interest accrual on these suspended loans.

Consideration of Payments

The act requires the secretary to count each month of suspended loan payment towards any loan forgiveness or loan rehabilitation program authorized under the Higher Education Act of 1965 for which the borrower would have otherwise qualified. For example, this includes forgiveness offered by income-driven repayment plans and the public service loan forgiveness (PSLF) program. As explained in the [department guidance](#), suspended payments will only count towards PSLF forgiveness if the borrower continues to meet other qualifications, such as working full-time for a qualifying employer during the suspension period.

Notice to Borrowers

The secretary must notify borrowers, within 15 days after the act's enactment, about the payment and interest suspension, involuntary collection suspension, option to continue making payments toward loan principal, and temporary nature of the loan relief program.

Additionally, beginning August 1, 2020, she must provide at least six notices to borrowers either by mail, phone, or email to explain (1) when the borrower's normal payment obligations will resume and (2) the borrower's option to enroll in an income-driven repayment plan, including a short description of plan options.

Hyperlinks

Federal Student Aid, "Coronavirus and Forbearance Info for Students, Borrowers, and Parents": <https://studentaid.gov/announcements-events/coronavirus#borrower-questions>. April 21, 2020.

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