

Student Loan Relief Options During the COVID-19 Pandemic

COVID-19-Specific Relief

Both the federal government and Connecticut's state lending authority have offered temporary relief to public student loan borrowers during the COVID-19 pandemic.

Federal aid arrived in the form of Congressional legislation and that was later extended by executive order. In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which gave 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. These measures were effective through September 30, 2020.

In August 2020, an executive order extended certain CARES Act student loan relief polices through December 31, 2020. Loan payments and interest accrual remain paused; however, the order did not address whether the suspended payments will count toward loan forgiveness. The U.S. Department of Education later clarified that it would implement the order as counting the suspended payments toward loan forgiveness.

Federal Versus State Student Loans



Federal student loans are available for students with demonstrated need through the U.S. Department of Education in the form of Direct Loans (subsidized and unsubsidized), Direct Plus Loans, and Direct Consolidation Loans.

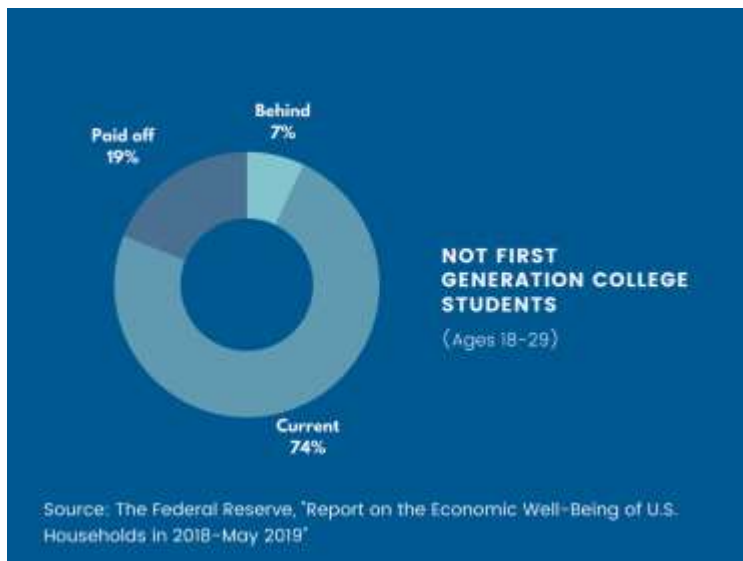
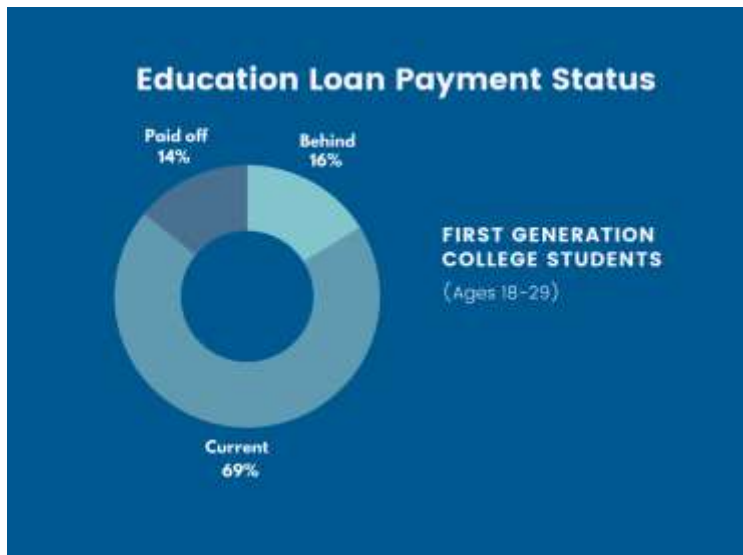


State student loans are available through the Connecticut Higher Education Supplemental Loan Authority (CHESLA), a quasi-public state agency, for student borrowers age 18 or older in the form of low-cost, fixed-rate loans.

As part of its COVID-19 relief efforts, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) instructed its collection company to cease efforts through September 30, 2020. Additionally, from March 23, 2020, through September 30, 2020, CHESLA stopped receiving defaulted borrower state tax refunds.

Pre-pandemic Loan Payment Statistics

According to a 2019 report from the Federal Reserve, 2 in 10 adults with outstanding student loan payments were behind on those payments. Among borrowers under age 30, first-generation college students were more than twice as likely to be behind on their payments as those with a parent who completed a bachelor's degree (see below).



“Forty-three percent of all those who attended college, representing 30 percent of all adults, have incurred at least some debt for their education. . .

Adults under the age of 30 who attended college are more likely to have taken out loans than other older adults, consistent with the upward trend in educational borrowing over the past several decades.”

— The Federal Reserve, “Report on the Economic Well-Being of Households in 2018-May 2019”

Higher Education Act Flexibilities in the Context of COVID-19

According to the Congressional Research Service, the federal Higher Education Act of 1965 (HEA) authorizes several repayment options that may help borrowers who are facing financial difficulty during the pandemic.

First, loan deferment and forbearance options offer temporary relief from monthly payments. This applies to the following federal student loan programs that HEA authorizes: the William D. Ford Federal Direct Loan (Direct Loan) program, the Federal Family Education Loan (FFEL) program, and the Federal Perkins Loan program.

Second, income-driven repayment (IDR) plans give borrowers the opportunity to make payments in amounts that are capped at a specific share or proportion of their discretionary income over a repayment period not to exceed 20 or 25 years, depending on the plan.

**Learn
More**

“Student Loan Relief in the Federal CARES Act,” OLR Report [2020-R-0121](#)

“[Coronavirus and Forbearance Info for Students, Borrowers, and Parents](#),” U.S. Department of Education’s office of Federal Student Aid

“[Report on the Economic Well-Being of U.S. Households in 2018-May 2019](#),” The Federal Reserve

“[How CHESLA Is Helping Borrowers During COVID-19](#),” Connecticut Higher Education Supplemental Loan Authority

