

## **Coronavirus Aid, Relief, and Economic Security Act**

### **Question and Answers**

#### ***Student Loan Payment Relief***

##### ***What relief is provided to federal student loan borrowers?***

Borrowers do not need to make payments on student loans held by the federal government (Direct Loans and FFEL Loans held by the U.S. Department of Education) through September 30, 2020. Borrowers with commercially-held FFEL loans and Perkins Loans are not eligible, and private student loan borrowers are also not eligible. No interest will accrue on such loans for the same time period. This provides more than 37 million borrowers with relief from the financial pressure of making monthly payments for approximately six months.

During this period, borrowers will not be subject to involuntary collections (garnishment of wages, tax refunds, and Social Security benefits) and will not have any negative credit reporting for late payments during this time period. Student borrowers will continue to receive credit toward Public Service Loan Forgiveness, Income-Driven Repayment forgiveness, and loan rehabilitation even though they will not be making payments. If borrowers want to continue making payments during this time to pay down principal and previously accrued interest (since no interest is accruing as of March 13) they are free to do so.

##### ***When will payments resume for federal student loan borrowers?***

Starting August, student loan borrowers will receive notices to help inform them that their regular loan payments and interest accrual will resume after September 30, 2020. These notices will help protect borrowers by providing them with a transition period to stay on track as regular loan payments resume and to offer them the option to enroll in other relief options (such as income-driven repayment, which can lower a borrower's monthly payment).

##### ***Does the six-month suspension of payments and waiver of interest apply to borrowers who have federally-guaranteed but commercially-held loans through the FFEL and Perkins Loan Programs?***

No. The suspension only applies to all Direct Loans and FFEL loans held by the Department Education (which is about 25% of the FFEL portfolio). Approximately 37 million borrowers (or 87 percent of federal student loan borrowers in repayment) will receive relief under this plan. This is not the plan Senate Democrats would have written on their own, and will be continuing to fight to extend relief to borrowers of commercially-held FFEL loans and Perkins Loans

##### ***Does the sixty-day protection from involuntary collections apply to these FFEL and Perkins borrowers?***

No.

***Will outstanding interest on student loans capitalize during the six-month suspension of payments and waiver of interest?***

During the six-month period until September 30, 2020 when payments are suspended, interest is also not accruing on federally-held loans. Therefore, there is no interest cannot capitalize (be added to the principal) on the loan. It remains unclear how interest that accrued prior to March 13th will be treated as this decision is left up to the Secretary of Education, but Senate Democrats will be strongly encouraging the Secretary not to penalize borrowers. Generally, interest only capitalizes when you leave deferment, forbearance, or income-driven repayment. Borrowers who do not change their loan repayment, or who move from “standard” to “income-driven” plans do not risk any capitalization.