

Student Loan Borrower Updates

COVID-19, CARES Act & Executive Action



What is the CARES Act & Executive Action?

The CARES Act provides relief to some student loan borrowers during COVID-19 by mandating that federally-held, direct student loans are automatically placed in an administrative forbearance that suspends both payments and interest until September 30, 2020. On August 8, President Trump used executive actions to extend this relief until December 31, 2020.

Who qualifies to have loans paused?

Under this law and order, federal Direct Loans all qualify as well as Federal Family Education Loans (FFEL) that are held by the Department of Education. The only loans that do not qualify are commercially-held FFEL Loans, Perkins Loans owned by your college, and private loans.

Is the pause automatic or do I need to opt in?

The pause on most federal student loans is automatic and you DO NOT need to opt in. Eligible federal loans are automatically being placed in administrative forbearance from 3/13/20 - 12/31/20. If you made a payment after March 13, you can request a refund by contacting your servicer.

How does this affect Public Service Loan Forgiveness?

The Department of Education states that suspended payments WILL be counted toward PSLF if you meet all other loan forgiveness requirements. These requirements include if: (1) you have direct loans, (2) were on a qualifying repayment plan prior to the event, and (3) continue to work for an eligible employer.

What happens if I am already in default?

The Department of Education announced a pause on debt collection against defaulted borrowers, including wage garnishment, reduction of tax refunds and reduction of Social Security and Social Security disability benefits. Recent guidance states that the pause on debt collection applies from March 13 - December 31, 2020. If collections against you were being processed after March 13, you are eligible for a refund on that amount.

What happens after December 31, 2020?

At this time, federal student loan payments will resume January 1, 2020. If you are concerned about your ability to make payments, guidance states that your federal loans are eligible for an income-driven repayment (IDR) plan, setting your payment based on your income for the next 12 months.

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