

Student Loans and the Coronavirus Aid, Relief, and Economic Security Act

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Many ATS schools participate in the United States Federal Student Loan program. During the COVID-19 pandemic, the US government is responding by providing relief to student loan borrowers. Below is information about the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which includes provisions designed to assist student loan borrowers during the COVID-19 pandemic. The CARES Act provides for interest waiver, payment suspension, and collection suspension on specific federal student loans.

Interest waiver, payment suspension, and collection suspension

On March 13, 2020, the executive branch suspended interest on federally-held student loans. The CARES Act was subsequently enacted by Congress and signed into law on March 27, 2020. The CARES Act extends the interest waiver begun by the executive branch through September 30, 2020. During the interest waiver, interest will not accrue on federally-held student loans.

The CARES Act also suspends all payments on federally-held student loans until September 30, 2020. The payment suspension has been applied retroactively to March 13, 2020. Payments made after March 13 and before September 30 may be refunded upon request to the borrower's loan servicing company.



- Suspended payments will be reported to consumer credit reporting agencies as regularly scheduled payments made by the borrower.
- For borrowers enrolled in income-driven repayment plans, each month of suspended loan payments will count as if the borrower had made a payment towards income-driven forgiveness.
- Borrowers pursuing Public Service Loan Forgiveness may receive credit toward Public Service Loan Forgiveness during the period of suspension, as long as all the requirements are met (enrollment in a qualifying repayment plan on eligible Direct Loans and qualifying public service employment).
- The period of suspension will count towards rehabilitation payments for borrowers with defaulted loans under a rehabilitation agreement and wage garnishment and seizure of federal benefits including tax refunds are suspended.

Which student loans are covered by the CARES Act?

The CARES Act provisions apply to **federally-held student loans** only. Federally-held student loans include all types of Direct Loans:

- Direct Unsubsidized
- Direct Subsidized
- Direct Parent PLUS
- Direct Grad PLUS
- Direct Consolidation Loans, plus
- Some, but not all, other federal loans

Students who began borrowing federal loans in the last decade typically borrowed eligible Direct Loans, but many student loan borrowers also have ineligible commercially-held federal loans and private student loans.

Which student loans are NOT covered?

According to an estimate by the National Consumer Law Center, approximately 9 million student loan borrowers have at least one student loan that is not covered by the CARES Act.

Significantly, *private student loans are not covered.*

Additionally, specific types of federal student loans were originated by entities other than the federal government and are not covered by the CARES Act *unless later acquired by the Department of Education*. Federal loans originated by commercial entities include Perkins Loans and Federal Family Education Loans (FFEL). Perkins Loans are campus-based student loans originated by educational institutions. Federal Family Education Loans (FFEL) were originated by commercial banks and private lenders.

Although Perkins and FFEL loans originate from commercial entities, some of those loans are later acquired by the federal government. The federal government may have acquired these loans following default or pursuant to authorizing legislation.

In summary, the CARES Act does not apply to:

- Commercially-held federal student loans (such as Perkins Loans and Federal Family Education Loans (FFEL) not acquired by the Department of Education)
- Private student loans (such as commercial loans, institutional loans, nonprofit loans)

Unless they make arrangements acceptable to the lender, borrowers must continue making required payments on loans not covered by the CARES Act. Although payment suspension is not automatic, borrowers *may request* forbearance for commercially-held federal loans and may request payment relief by contacting private lenders. Private lenders are not required by law to suspend payments but under these circumstances some lenders will agree to temporarily reduce or postpone a borrower's obligation to pay. Even if a lender agrees to postpone payments, interest will continue to accrue.

How can a borrower determine which student loans he or she has?

To get a clear inventory of student loans, borrowers should download two records:

- 1) their federal student loan data file from [StudentAid.gov](https://studentaid.gov)
- 2) a credit report from [AnnualCreditReport.com](https://annualcreditreport.com)

Federal loans with the word "Direct" in the name are always federally-held and are covered by the CARES Act provisions.

Those borrowers with federal loans that are not Direct will need to take an additional step to determine whether the loans are commercially-held or federally-held. A search of the federal student loan text file indicates the "current holder" of the loan. Federally-held loans covered by the CARES Act list the US Department of Education as the current holder; commercially-held federal loans

do not but will instead name a specific commercial entity such as a bank.

Private loans will not appear on the federal record but are listed on the credit report.

For more information about student loans during the COVID-19 pandemic, join ATS at 2 p.m. ET on Thursday, May 21, for a special web-training conducted by the author. The webinar will cover:

- Frequently Asked Questions about application of the CARES Act provisions
- Which borrowers may benefit from continuing to make payments

- How borrowers can determine whether voluntary payments will reduce the principal balance
- Whether this is a good time to consolidate or refinance

Additional Resources:

- [StudentAid.gov](https://studentaid.gov)
- [AnnualCreditReport.com](https://annualcreditreport.com)
- [StudentLoanBorrowerAssistance.org](https://studentloanborrowerassistance.org)



Heather Jarvis, attorney and nationally recognized expert specializing in student law, is founder of Heather Jarvis Student Loan Expert LLC.