Coronavirus Aid, Relief, and Economic Security (CARES) Act - Student Loan Provisions Summary & FAQ

On March 27, the $2 trillion Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The bill is a good start and, while not perfect, does address many needs of our students, educators and schools. It is intended to help stabilize workers, families and the economy during the COVID-19 public health crisis, and is the third relief package Congress has passed during the coronavirus pandemic. We are also advocating for additional stimulus funds in a fourth package.

Temporary Relief for Federal Student Loan Borrowers

- Six-month suspension of federal student loan payments and interest accrual (through Sept. 30, 2020).
- Suspended monthly payments are considered as qualified payments toward achieving Public Service Loan Forgiveness (PSLF).
- Protects student borrowers from any involuntary collections, wage garnishments or reductions of tax refunds or federal benefit payments during the COVID-19 public health crisis.
- Informs borrowers of the program not later than 15 days after enactment and requires the secretary of education to provide, by Aug. 1, no fewer than six notices via postal mail, telephone or electronic communication of when payment suspension concludes and options to enroll in federal income-driven repayment plans.

Employer Participation in Student Loan Repayment

- Enables employers to provide student loan repayment benefits to employees on a tax-free basis; an employer may contribute up to $5,250 annually toward an employee’s student loan, and such payment would be excluded from the employee’s income.
- Applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before Jan. 1, 2021.

TEACH Grants and Teacher Loan Forgiveness

- TEACH Grant and Teacher Loan Forgiveness programs are modified to allow exemptions during qualifying emergencies, like COVID-19, if educator is unable to fulfill their teaching service obligation (TEACH) or consecutive years of teaching service (TLF).

Frequently Asked Questions

What types of federal student loans qualify for suspension under the CARES Act?
These federal student loans, owned by the U.S. Department of Education, qualify for suspension of payment and interest accrual:

- Federal Family Education Loans (FFEL)
- Federal Direct Loans
- Federal Perkins Loans

However, commercially held FFEL Loans and Federal Perkins Loans held by an institution of higher education do not qualify for suspension.

If I have commercially held FFEL Loans or Federal Perkins loans held by an institution, how can I qualify for suspension?
Your lender or school may provide these benefits should it choose to do so. If not, you may consolidate FFEL Loans or Federal Perkins loans not owned by the Department of Education into a Direct Consolidation Loan, which would be eligible for CARES Act suspension.

However, if you consolidate, after the relief period ends, the interest rate on your loan may be higher than what you are currently paying. In addition, any outstanding interest will "capitalize" when you consolidate, meaning that any outstanding interest is added to your principal balance.

Your servicer can provide information about how your loan balance, interest rate, and total amount to be paid would change if you consolidated into a Direct Consolidation Loan.

Are private student loans affected by the CARES Act?
The CARES Act only affects the federal student loans mentioned above. If you have student loans from a private bank, you must continue to make monthly payments. Interest will also accrue for private student loans as normal.

What does "suspension" mean? Does this mean the U.S. government is paying for my student loans during this six-month period?
Suspension means that borrowers are not required to make monthly student loan payments during this six-month period. Your credit history and reporting will not be affected should you choose not to or be unable to make any payments during the six-month period.

There are no monthly cancellations of student loans or payments made by the U.S. government under the CARES Act; your principle balance will remain the same in six-months if you choose to take advantage of this.

When does temporary relief start and end for student borrowers, and do I have to opt-in to take advantage of the six-month suspension period?
Suspension and protections from the CARES Act were effective immediately upon the law's enactment on March 27. You do not need to opt-in to take advantage of the benefits.

This temporary relief stays in effect through Sept. 30, 2020. After that date, interest accrual will resume and you will need to begin making monthly payments, unless Congress extends the program. Starting Aug. 1, student loan borrowers will receive notices either by electronic communication, telephone, or postal mail to help inform them that regular payments and interest accrual will resume after Sept. 30.

Earlier, President Trump issued an executive order to freeze interest and stop the collection of student loans for 60 days. How does the CARES Act affect his previous decision?
The CARES Act overrides the president's previous executive order. Additionally, to take advantage of the two-month suspension period that the executive order offered, a student borrower must have opted-in by contacting their federal loan servicer.

Under the CARES Act, you will not need to opt-in to take advantage of the six-month suspension. Payments were suspended and interest stopped accruing when the CARES Act was signed into law.

Can you provide an example of how this affects my progress in achieving Public Service Loan Forgiveness (PSLF)?
To receive Public Service Loan Forgiveness, you must make 120 on-time payments under a qualified income-based repayment plan. For example, if you have made up to 60 payments by the time the CARES Act goes into effect, you will have 66 on-time payments made at the conclusion of the suspension period on Sept. 30, 2020.

I would like to keep making payments on my student loans during the six-month suspension. Can I continue to do so?
Yes, if you are in a financial situation that allows you to continue making payments during the COVID-19 pandemic, you may continue to do so. Your payments would apply as they normally

would toward paying down principal and previously accrued interest. However, new interest will not accrue during this six-month period.

If I decide to continue making payments during the six-month suspension, will I receive double credit to get ahead in receiving Public Service Loan Forgiveness?

You will not receive additional credit toward your 120 on-time payments if you choose to continue paying during this six-month suspension.

My school district has closed due to COVID-19 and I have a TEACH Grant. What does this mean for me?

For educators who could not finish their year of teaching service as a result of COVID-19, their partial year of service will be counted as a full year of service toward TEACH grant obligations.

I teach at a low-income school, but my district has closed due to COVID-19. I was working on obtaining Teacher Loan Forgiveness, and not Public Service Loan Forgiveness; what does this mean for me?

For educators who could not finish their year of teaching service as a result of COVID-19, their partial year of service will be counted as a full year of service toward Teacher Loan Forgiveness. Additionally, the CARES Act waives a requirement that teachers must serve consecutive years of teaching service for Teacher Loan Forgiveness eligibility, if a teacher's service is not consecutive as a result of COVID-19.