



Student Debt Repayment During COVID-19

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Q: What is the CARES Act and how will it affect my student loans?

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) — a law aimed at providing emergency relief to mitigate the economic fallout from the coronavirus pandemic. Among its relief measures, the law provides several protections for federal student loan borrowers including suspending all payments and reducing interest rates to zero percent through September 30, 2020.

Protections offered under the CARES Act only apply to federal loans owned by the Department of Education (*i.e.*, Direct Loans and ED-held FFELP Loans). Commercially held FFELP loans, Perkins loans, and private student loans are not covered under the law. Below, you can learn more about what types of loans you have.

If you have federal student loans covered under the CARES Act, you will receive the following protections through September 30, 2020:

- **All payments will be suspended on covered federal student loans.** Your student loan servicer will automatically suspend all payments due for the next six months. You are NOT required to take any action to have the payment suspension applied to your loans.
- **Borrowers will continue to receive credit towards loan forgiveness.** During the six-month payment suspension, you will continue to receive payment count credit toward Public Service Loan Forgiveness (PSLF) and Income-Driven Repayment (IDR) loan forgiveness, as long as you meet all the other requirements to receive credit. For example, a borrower pursuing PSLF would still need to be working full time for a qualified employer during the suspension period.
- **Interest rates on eligible federal loans will be reduced to zero percent.** The interest rate on all of your eligible federal student loans will be reduced to zero percent, and this interest rate reduction will be backdated to March 13, 2020. Any payments made after March 13, 2020 will be applied to any previously accrued interest, and then to your principal balance.
- **Borrowers will receive credit reporting protections.** For the duration of the payment suspension, servicers will report to the credit bureaus as if you made your scheduled payment.
- **Collection activities on covered loans will be on pause for the duration of the payment suspension.** If your loan is in default, all collections activity, including wage garnishment, federal benefit offsets, and federal tax refund offsets. If you are currently in garnishment, you will need to contact your employer directly to ensure the garnishment is paused.

You can find additional information on the Federal Student Aid website:

<https://studentaid.gov/announcements-events/coronavirus>.



Q: In light of the CARES Act, what action should I take to benefit from the student loan payment suspension?

A: Your student loan servicer will automatically apply the six-month payment suspension and interest rate reduction to your account. However, there are a few additional items steps you may want to take:

- **Cancel your autopay.** If you are currently enrolled in autopay you may still have your full monthly payment deducted during the suspension period. If you do not want to continue making payments during the suspension, ***you should immediately turn off autopay*** via your servicer's website to ensure the payment is not withdrawn. Autopay cancellation requires at least three days to process. If you had an automatic payment processed after March 13, 2020, you can request a refund directly from your servicer.
- **Enroll in or recertify your income-driven repayment plan.** If you experience a change in your income or employment situation, you can still enroll in an IDR plan during the payment suspension. By enrolling in an IDR plan, you can ensure that when payments resume in October, your payment will still be affordable. If you are already enrolled in IDR and are due to recertify your plan during the payment suspension, you should still do so in order to avoid any potential interest capitalization. You can enroll in or recertify your IDR plan by visiting <https://studentaid.gov/app/ibrInstructions.action>.
- **If your wages are being garnished, speak with your human resources department to have the garnishment paused.** The Department of Education will send a letter to employers telling them to freeze any ongoing garnishments. However, we do not yet know when those letters will go out. Any garnishment that took place after March 13, 2020 will be refunded.

Q: I have private loans. Are my student loan payments suspended through the CARES Act?

The CARES ACT only provides a payment suspension for federal loans owned by the Department of education. However, some private student loan servicers are providing varied forms of relief to borrowers affected by Covid-19. If you are experiencing financial hardship due to the coronavirus, we recommend that you reach out to your lender to see if you may qualify for payment relief.

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The following questions and answers provide information about protections available to borrowers at all times, irrespective of the CARES Act.

Q: My student loan payments are unaffordable, what repayment options do I have?

A: If you are struggling to make payments on your federal student loans, you may benefit from income-driven repayment (IDR). You can enroll in an IDR plan if you are either current or delinquent on your loans, but not if you have defaulted on your loans. If you are delinquent, enrolling in an IDR plan will bring your account current as the Department of Education will place missed payments in a retroactive administrative forbearance.

Tips for enrolling in an income-driven repayment plan:

- **Compare different income-driven repayment plans** by using the Education Department's Repayment Estimator (<https://studentaid.gov/loan-simulator/>).
 - Your eligibility for certain IDR plans may differ depending on the type of loan you have.
 - Your monthly payment amount will depend on whether you are married and whether you and your spouse file your tax returns jointly. In general, **Revised Pay as You Earn (REPAYE)** offers the most generous *interest subsidy* to help a borrower through a period of low payments. In other words, under REPAYE, a borrower will accumulate less interest than under other programs.
- **Apply for an IDR plan** by visiting the FSA website (<https://studentaid.gov/app/ibrInstructions.action>). To complete the IDR application, you will need:
 - A verified Federal Student Aid (FSA) ID. You can create an FSA ID here: <https://studentaid.gov/fsa-id/create-account/account-info>.
 - Proof of income:
 - If your income is similar to your last tax return, you can import your income information using FSA's IRS [data retrieval tool](#) (part of the online application process).
 - If your last tax return is not reflective of your current income (unemployed, change in income, etc.), you can provide alternative documentation of income (pay stubs, letter from employer, etc.)
- **As a reminder, you will need to recertify your income every year to remain in IDR. Not certifying can cause your required payment to increase and for any accrued interest to capitalize.**
- **As a last resort, consider deferment or forbearance.** For short term options to defer payments, you may want to apply for forbearance or deferment by calling your student loan servicer. However, these options will often result in you paying more on your loan over time and are not as beneficial as switching into an income-driven repayment plan.



Q: I was laid-off or furloughed from my job. How can I make my payments if I no longer have income?

A: If you experience a change in income, you can have your monthly payments immediately recalculated under an IDR plan to reflect your current income by providing a recent pay stub or some other proof of income. If you currently do not have any income or you only receive untaxed income, you can indicate that on the IDR application. In this case, you are not required to supply further documentation of your income.

Q: My federal student loan is in default. How do I get back on track with repayment?

A: If your federal student loans are in default, you have different options to get out of default: (1) loan consolidation, (2) loan rehabilitation, and (3) settlement. As a general rule, loan consolidation is a quicker process with room for error on the part of the collector or servicer. Settlement is rarely used.

Loan Consolidation

- To apply for a loan consolidation, visit <https://studentaid.gov/app/launchConsolidation.action>. Keep in mind:
 - If you are consolidating out of default, you will be required to enroll in an IDR plan during the consolidation process.
 - To reconsolidate a defaulted Direct Consolidation Loan, you must also include at least one other eligible loan in the consolidation. If you have no other eligible loans that can be included in the consolidation, you cannot get out of default through consolidation — **you must pursue a settlement or loan rehabilitation.**



Loan Rehabilitation

- To rehabilitate your loan, contact your collection company directly to begin a rehabilitation plan.

Tips for successfully navigating a rehabilitation plan:

- If you don't know which company is managing your defaulted loans, you can find out by logging into the Federal Student Aid website (<https://studentaid.ed.gov/sa/?login=true>).
- To successfully complete a rehabilitation plan, you will need to make nine consecutive, on time monthly payments. **You should get the rehabilitation payment amount in writing and keep a personal log of these payments for your records.** Payments can be calculated one of two ways:
 - Equal to 15 percent of your annual discretionary income, divided by 12; or
 - An alternative monthly payment based on your monthly income and expenses (minimum of \$5). To use this option, you will need to complete the [Loan Rehabilitation: Income and Expense Information](#) form and provide documentation of your monthly income and expenses.

If your wages are being garnished, the garnishment will be lifted after successfully making 5 on-time rehabilitation payments.

- Once nine consecutive monthly payments have been made under the rehabilitation plan, you should affirmatively reach out to your newly assigned servicer to enroll in IDR (the default payment plan after rehabilitation is a standard repayment).
- Check your credit history after completing the rehabilitation plan. The default should be removed from your credit file. However, the late payments reported by your loan servicer before your loan went into default will remain on your credit history.

Note: Rehabilitation is a *one-time* opportunity. If you default on a previously rehabilitated loan, the loan cannot be rehabilitated again.



Loan Settlement

- The option to settle your defaulted debt is not publicized by the Education Department but is considered an option of last resort. To settle your student loan debt:
 - **Identify the collection company** that the loan has been sent to by having the borrower log into My Federal Student Aid (<https://studentaid.ed.gov/sa/?login=true>).
 - **Contact the collection company** to discuss a settlement.
 - The following are settlements that collection companies are authorized to approve:
 - **Pays only the current principal and interest** (waiver of projected collection costs/fees) *Example: Borrower owes \$2500 Principal, \$1000 Interest, and \$875 projected collection fees. The collector may offer the borrower a settlement as low as \$3500.00 (Principal and Interest) to fully satisfy the account.*
 - **Pays at least the current principal and half the interest** (50%)
Example: Borrower owes \$2000 Principal, \$1000 Interest and \$730.20 projected collection costs. The collector may offer the borrower a settlement as low as \$2,500 (principal + 50% interest) to fully satisfy the account.
 - **Pays at least 90% of the current principal and interest balance**
Example: Borrower owes \$2000 Principal, \$400 Interest and \$584.16 projected collection costs. The collector may offer the borrower a settlement as low as \$2160 (90% of principal + interest) to fully satisfy the account.

Q: Where can I find more resources on Public Service Loan Forgiveness (PSLF)?

A: The American Federation of Teachers has a great website, [Forgive My Student Debt](#), that focuses on Public Service Loan Forgiveness (PSLF) and Teacher Loan Forgiveness. *Forgive My Student Debt* also has great resources on Income-Driven Repayment. We also recommend that you visit the Department of Education's Federal Student Aid website on [PSLF](#).



Q: How do I know if my loans are federal student loans or private student loans?

A: Federal student loans are made by the U.S. Department of Education and have names like-Direct Loans, Parent Plus, Stafford, etc. Private student loans are made by private companies like Discover, Wells Fargo, or PNC Bank.

Most borrowers have federal student loans. You can check the [Federal Student Aid](#) website to see if you have a federal student loan account.

There are a few types of federal student loans, including Direct Loans, Federal Family Education Loans, and Perkins loans. You can figure out what type of federal student loan you have using the following methods:

- You can call the Federal Student Aid Information center at 1-800-4-FED-AID (1-800-730-8913), and counselors can assist you in determining your loan type.
- Alternatively, you can access your loan file through the National Student Loan Data System
 - Log into [studentaid.gov](#).
 - Under your student aid dashboard, navigate to “View Details.”
 - On the top right, select “Download My Aid Data.”
 - “Loan Type” will specify what specific federal loan type you have (see examples on the next page)
 - For FFELP loans, to determine whether your loans are commercially held or ED-held, navigate to “Loan Contact Type: Current Lender.” If the next line reads “U.S. DEPT OF ED,” then you have an ED-owned FFELP loan. If the line has the name of another entity, then you have a commercial FFELP loan (see examples on the next page)

Federal student loans covered by the CARES Act include: Direct Loans and Federal Family Education Loans (FFEL) owned by the Department of Education (also called ED-held FFEL)

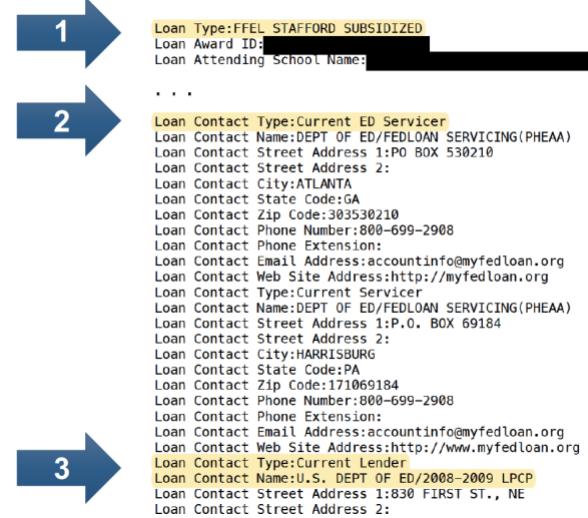
Federal student loans NOT covered by the CARES Act include: Perkins Loans and Federal Family Education Loans (FFELP) owned by private companies (also called commercial FFEL)



Appendix: Finding what type of federal student loan you have

Direct and ED-held FFELP Loans

1. Determine FFEL or Direct
2. Will state "Current ED Servicer"
3. Current Lender will be listed as U.S. Dept of Ed



Commercially held FFELP Loans

1. FFEL only
2. Will state "Current Guaranty Agency"
3. Current Lender will be a bank or other private company

