SBPC | STUDENT BORROWER PROTECTION CENTER

Student Debt Repayment During COVID-19

Frequently Asked Questions
(updated September 2020)

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

On August 8, 2020, President Trump issued a presidential memorandum extending protections for federal student loan borrowers that were originally instituted by Congress on March 27, 2020, as part of 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. In effect, **the Trump Administration has extended all relief measures offered to student loan borrowers under the CARES act, including suspending all payments and reducing interest rates to zero percent through December 31, 2020**.

Protections offered under the CARES Act and subsequent extension 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 and subsequent extension, you will receive the following protections through December 31, 2020:

- **All payments will be suspended on covered federal student loans.** Your student loan servicer will automatically suspend all payments due through the end of the year. 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 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.
- **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: What action should I take to benefit from the student loan payment suspension?

A: Your student loan servicer will automatically extend the 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.** Beginning in January 2021, student loan servicers will again start processing automatic payments. If you expect you may not be able to afford your monthly payment in January, consider cancelling autopay now. 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 2021, 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 has issued letters to employers telling them to freeze any ongoing garnishments. However, we know that thousands of borrowers are still having their wages garnished. 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 or presidential memorandum?

The CARES Act and subsequent extension only provides a payment suspension for federal loans owned by the Department of education. However, some states are providing varied forms of relief to private student loan 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, including after the expiration of the CARES Act and subsequent extension.

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.

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 less room for error on the part of the collector or servicer. Settlement is rarely used.

<u>Loan Consolidation</u>

- 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** managing the loan account by logging into My Federal Student Aid (https://studentaid.ed.gov/sa/?login=true).
    - **Contact the collection company** to discuss a settlement.
    - Collection companies are authorized to approve the following settlement structures:
        - **Borrower 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.*
        - **Borrower 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.*
        - **Borrower 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)

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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

1

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Loan Type:FFEL STAFFORD SUBSIDIZED
Loan Award ID:[redacted]
Loan Attending School Name:[redacted]
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2

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Loan Contact Type:Current ED Servicer
Loan Contact Name:DEPT OF ED/FEDLOAN SERVICING(PHEAA)
Loan Contact Street Address 1:PO BOX 530210
Loan Contact Street Address 2:
Loan Contact City:ATLANTA
Loan Contact State Code:GA
Loan Contact Zip Code:303530210
Loan Contact Phone Number:800-699-2908
Loan Contact Phone Extension:
Loan Contact Email Address:accountinfo@myfedloan.org
Loan Contact Web Site Address:http://myfedloan.org
Loan Contact Type:Current Servicer
Loan Contact Name:DEPT OF ED/FEDLOAN SERVICING(PHEAA)
Loan Contact Street Address 1:P.O. BOX 69184
Loan Contact Street Address 2:
Loan Contact City:HARRISBURG
Loan Contact State Code:PA
Loan Contact Zip Code:171069184
Loan Contact Phone Number:800-699-2908
Loan Contact Phone Extension:
Loan Contact Email Address:accountinfo@myfedloan.org
Loan Contact Web Site Address:http://www.myfedloan.org
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3

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Loan Contact Type:Current Lender
Loan Contact Name:U.S. DEPT OF ED/2008-2009 LPCP
Loan Contact Street Address 1:830 FIRST ST., NE
Loan Contact Street Address 2:
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Commercially held FFELP Loans

1. FFEL only

2. Will state "Current Guaranty Agency"

3. Current Lender will be a bank or other private company

1

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Loan Type:FFEL CONSOLIDATED
Loan Award ID:
Loan Attending School Name:SCHOOL CODE FOR CONSOLIDATION LOANS
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2

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Loan Contact Type:Current Guaranty Agency
Loan Contact Name:AMERICAN STUDENT ASSISTANCE
Loan Contact Street Address 1:PO BOX 16129
Loan Contact Street Address 2:
Loan Contact City:ST. PAUL
Loan Contact State Code:MN
Loan Contact Zip Code:55401
Loan Contact Phone Number:833-896-1626
Loan Contact Phone Extension:
Loan Contact Email Address:asaservicing@ecmc.org
Loan Contact Web Site Address:http://ecmc.org
Loan Contact Type:Current Servicer
Loan Contact Name:AMERICAN EDUCATION SERVICES
Loan Contact Street Address 1:PO BOX 2461
Loan Contact Street Address 2:
Loan Contact City:HARRISBURG
Loan Contact State Code:PA
Loan Contact Zip Code:171052461
Loan Contact Phone Number:800-233-0557
Loan Contact Phone Extension:
Loan Contact Email Address:WEBMASTER@PHEAA.ORG
Loan Contact Web Site Address:
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3

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Loan Contact Type:Current Lender
Loan Contact Name:US BANK ELT BHEA
Loan Contact Street Address 1:425 WALNUT ST.
Loan Contact Street Address 2:
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