



Office of General Counsel

TO: PEF Members
FROM: PEF Office of General Counsel
DATE: April 21, 2020
RE: *CARES Act/Federal Student Loan Relief*

Congress recently enacted the *Coronavirus Aid, Relief, and Economic Security* (“*CARES*”) *Act*. Part of this Act offers relief to eligible federal student loan borrowers by suspending interest and payments from the period March 13, 2020 through September 30, 2020. However, not all federal student loans qualify for this relief. The loans eligible for this relief are federal student loans owned by the United States Education Department.

Eligible Loans:

An eligible loan is a federal student loan owned by the United States Education Department. The following is a summary of the relief provided by the *CARES Act* if you have an eligible federal loan.

Pursuant to the *CARES Act*, payments on an eligible federal student loan will automatically be placed into administrative forbearance from March 13, 2020 until September 30, 2020. This allows a borrower to temporarily stop making their monthly payments. Additionally, the interest rate is being set at 0% for the above time period. While both the administrative forbearance and the interest rate being set to 0% should happen automatically, it is recommended that the borrower call their loan provider to confirm that their federal loan qualifies and that the payments and interest have been suspended.

If a borrower was working toward Public Service Loan Forgiveness, the borrower will still receive credit, as long as the borrower has a Direct Loan, was on a qualifying repayment plan prior to the suspension, and works full-time for a qualifying employer during the suspension.

If a borrower wishes to make payments on their federal student loan during the above-stated time period they may do so. The payments will first be credited toward accrued interest and then will apply toward the principal balance.

Ineligible Loans:

Ineligible loans are those that are not owned by the United States Education Department. Some Perkins loans are held by educational institutions and some Federal Family Education Loan (FFEL) debts are owned by commercial lenders, and neither of these categories of loans is eligible for the interest waiver at this time. While FFEL and federal Perkins loans that are not owned by the government can be consolidated into a Direct Consolidation Loan, which would be eligible, a borrower should be careful to note whether the interest rate, after the zero percent interest waiver ends, would be higher than what the borrower is currently paying. Additionally, private student loans are not eligible for these benefits.

We recommend that if you have any questions regarding whether your federal student loan qualifies that you contact your lender directly. If your loan does not qualify, your lender may have other options that could provide some relief to you during this challenging time.

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