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Federal Student Loans & COVID-19: What do you need to know?

$ On March 27, 2020, the president signed the CARES Act into law, which, among other things, provides broad relief for federal student loan borrowers.

Your **federal** student loan payments will automatically stop on March 13, 2020. The interest rate will be set to 0% for this period. This means your loans are automatically being placed in an administrative forbearance, which allows you to temporarily stop making your monthly loan payment.

The suspension of payments will last until Sept. 30, 2020.

This is the message you should receive when you log into your loans

Account Summary As of 04/17/2020 (ET)

Total Payment Due:	$0.00	Custom Pay

National Emergency Forbearance – One or more of your loans have been granted a forbearance in accordance with the CARES Act passed by Congress in response to the COVID-19 pandemic.

During this forbearance, you can still make payments, no interest will accrue, and your progress toward loan forgiveness or voluntary forbearance won't be affected. Learn more

If you want, you can opt out of this forbearance, put your loans back into repayment, and resume monthly payments.

THE FINE PRINT

Currently, the only loans eligible for this benefit are:

- Defaulted and nondefaulted Direct Loans
- Defaulted and nondefaulted FFEL Program loans
- Federal Perkins Loans

If you have a Federal Family Education Loan (FFEL) Program or Federal Perkins Loan that is **not** owned by the Department of Education these benefits do not apply to your loans.

Why does this matter?

Many borrowers refinance their student loans, or over time have their federal student loans purchased by a third party.

Currently, there is not guidance to expand the CARES Act to any loans beyond those owned by the Department of Education.

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$ So, what do you need to do?

1. Figure out what type of loans you have—call your provider if you're not sure!

FFEL, Direct, or Perkins Loans	Don't know who your servicer is?
Confirm your loans are on hold if that's your preference.	Visit StudentAid.gov/login or call 1-800-4-FED-AID.
Note: You can also direct them to continue payments. This means you would pay more towards your principal because you are not earning interest.	This can be done online through many providers.

Helpful Hints:

- ❑ If your loans are not owned by the Dept of Ed, ask if they are providing any options similar to the CARES Act (some loan providers are, but you have to self-advocate for this).
- ❑ If you are on a public service forgiveness plan, you need to confirm that the administrative forbearance on non-Dept of Ed owned loans will not impact your "on-time payment" status
- ❑ There is an option to convert your loans into a Direct Consolidated Loan, and to benefit from the payment pause and 0% interest—but this option comes with risk.

2. Weigh the option of converting your loan(s) to a Direct Consolidated Loan

Before you consider this option:

- ❑ Check what your new interest rate would be. MANY consolidated loans have a higher interest rate than a typical student loan.
- ❑ When you consolidate loans, any outstanding interest will capitalize.
- ❑ Make sure you ask on both of these caveats before you accept any new loan terms.

Sample script: I am experiencing a shift in income due to COVID-19 and know federal student loans serviced by the Department of Education are under administrative forbearance until September. Are you able to offer a similar benefit? If I accept it, does it negatively impact my repayment standing, or increase my interest rate?

Student loans can be confusing, but we know Knowledge is Power.

Still have questions? Email chinckley@kippma.org!