

UPDATE: Student loans during COVID-19 pandemic

Aug. 21, 2020

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which provided relief on student loans held by the Department of Education (federal student loans). Federal student loan payments were suspended, collections on defaulted loans were stopped, and interest rates were set to 0%. The CARES Act specified that these relief measures would be in effect through Sept. 30, 2020.

On Aug. 8, 2020, President Trump directed the Secretary of the Department of Education to continue to suspend loan payments, stop collections and waive interest on federally held student loans until Dec. 31, 2020. However, the President's executive order memo extending the relief period is not as clear as the provisions outlined in the CARES Act, so additional questions will still need to be answered by the administration in the coming days or weeks. For example, the President's August memo does not specify whether individuals utilizing the Public Service Loan Forgiveness (PSLF) program could continue to count these additional months towards loan forgiveness, or whether or not the administration's previous policy of pausing the seizure of wages or tax refunds of Americans who defaulted on their federal student loans will continue.

For now, while we await clarification on these and other questions, we do know that federal student loan payments and interest accrual are still paused through Sept. 30, 2020. Discussions on the next COVID stimulus package continue, though student loan provisions do not seem to be a priority in the bill, despite several lawmakers calling for direct student loan forgiveness.

FAQ

1. *Can I still make a payment even though payments are currently suspended?*

Yes. You can still choose to make a payment on your loans during this time. The full amount of any payments made will be applied to principal once all the interest that accrued prior to March 13 is paid.

2. *I have a question on my tax refund being withheld due to my defaulted student loans.*

Visit studentaid.gov/coronavirus for information on refunds on tax withholdings related to defaulted student loans. If you are in default on loans and you made a payment between March 13 and now, you should receive a refund for your payment. If you are not in default, you will not automatically be refunded, but auto-payments are suspended during this time. If tax and social security benefits were withheld in your 2020 tax return (tax year 2019) because of a defaulted loan, you may be eligible for a refund based on when your tax income was withheld.

3. *I'm on a time-driven repayment plan. Do these months where I'm not making payments count toward forgiveness?*

Income-driven or time-driven repayment (IDR) plans will not be impacted; the suspension period on payments will count toward IDR forgiveness through Sept. 30, 2020, and possibly longer depending on the outcome of the president's Aug. 8 memo.

4. *If I withdrew from school because of the pandemic, do I have to start repaying my student loans now?*

For students who withdrew from school as a result of COVID-19, the term is excluded from counting negatively toward lifetime subsidized loan or Pell Grant eligibility. Neither institutions nor students are required to return portions of Pell Grants or Federal Direct Loans to the Department of Education if the student withdraws as a result of COVID-19. Additionally, the CARES Act allowed institutions to exclude the Spring term's grades from the calculation of Satisfactory Academic Progress (SAP) for students who withdrew as a result of COVID-19

Additional Resources:

- If you do not know who your servicer is or how to contact them, visit [StudentAid.gov/login](https://studentaid.gov/login) or call the Department of Education at 800.4.FED.AID (800.433.3243; TTY for the deaf or hearing-impaired 800.730.8913) for assistance.
- Additional questions are answered by the Department of Education at studentaid.gov/announcements-events/coronavirus