



DEPARTMENT OF JUSTICE

**GOOD NEWS!**

**IMPORTANT INFORMATION FOR BORROWERS WHO OWE EDUCATION-RELATED FEDERAL DEBT.**

**REPAYMENT OF FEDERAL STUDENT LOANS DURING THE COVID-19 NATIONAL EMERGENCY**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is meant to help Americans struggling with the economic impacts of the coronavirus, including certain federal student loan borrowers. The new law applies mostly to Direct Loans and Federal Family Education Loans owned by the U.S. Department of Education (ED).

Here is what borrowers should know:

**Payment Suspension (Administrative Forbearance)**

- Borrowers with federal student loans owned by ED are automatically being placed in forbearance so you will not make loan payments from March 13, 2020 through September 30, 2020.
- This also means that auto-debit payments will be suspended between March 13, 2020 and September 30, 2020.
- Any payment that is processed between March 13, 2020 and September 30, 2020 can be refunded. Contact your loan servicer to request a refund.

**0% Interest**

- From March 13, 2020 through September 30, 2020, the interest rate is 0% on the following types of federal student loans *owned by ED*:
  - Defaulted and non-defaulted Direct Loans,
  - Defaulted and non-defaulted Federal Family Education Loans Program loans, and
  - Federal Perkins Loans.
- Know that some Federal Family Education Loans Program loans are owned by commercial lenders, and some Perkins Loans are owned by the institution borrowers attended. Although the CARES Act does not provide the 0% interest period for these loans, your lender or school can provide this benefit should it choose to do so.
- ED will automatically adjust borrowers accounts so that interest doesn't accrue.

**Income-Driven Repayment and Public Service Loan Forgiveness**

- If you are on an income-driven repayment plan and your income has changed, you can update your information and get a new payment amount based on your current income.
- If you get a new payment amount, after the administrative forbearance ends on September 30, 2020, your monthly payments will resume at the new amount.
- For borrowers on income-driven repayment plans, suspended payments will count toward income-driven repayment forgiveness.

- For borrowers seeking Public Service Loan Forgiveness, suspended payments will count toward public service loan forgiveness if, according to ED, you have a Direct Loan, are on a qualifying repayment plan prior to the suspension, and work full-time for a qualifying employer during the suspension.

### **Defaulted Loans**

- Suspended payments will count toward payment if you are trying to rehabilitate a defaulted student loan.
- A federal tax refund will not be withheld to repay defaulted federal student loan debt if your federal tax refund was in the process of being withheld on or after March 13, 2020.
- If the refund was taken after March 13, 2020, you can get it back. You should call ED's Default Resolution Group: 1-800-621-3115.
- Social Security payments, including disability benefits, won't be withheld to repay defaulted federal student debt if your payment was in the process of being withheld on or after March 13, 2020.
- If your Social Security payment was taken, you can get it back. You should call ED's Default Resolution Group: 1-800-621-3115.
- Wages will not be garnished. Your human resources department will receive a letter from ED instructing them to stop wage garnishment.
- If ED receives garnishment funds between March 13, 2020 and September 30, 2020, ED will refund the garnished wages.
- ED-contracted private collection agencies have been instructed to stop making collection calls, stop sending letters or billing statements, and not accept auto-debit payments.
- The instruction to private collection agencies applies between March 13, 2020 and September 30, 2020. However, private collection agencies are available to assist borrowers if they reach out to agencies.
- Defaulted loans owned by ED will not accrue interest between March 13, 2020 and September 30, 2020. That includes Direct Loans and Federal Family Education Loans Program loans owned by ED.

### **Private Student Loans**

- Private student loans do not have the same options as federal student loans under the CARES Act. In particular, the 0% interest and administrative forbearance do not apply to private student loans.
- If you have a private student loan and are experiencing financial difficulties, you should contact your loan servicer. Ask if the servicer has assistance options available to help keep your account in good standing during this national emergency.
- To find out who services your private student loan, you should check your most recent student loan statement.