

NEWS BRIEF

Provided by: Summit Financial Group, Inc.

CARES Act Provides Relief for Certain Federal Student Loans

The Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was signed into law by President Donald Trump on Friday, March 27, 2020, includes several provisions that apply to certain federal student loans owned by the Department of Education.

Payments Suspended on Specific Loans

Specifically, payments on non-defaulted Direct Loans and Federal Family Education Loans (FFEL) that are owned by the government are suspended until Sept. 30, 2020. FFELs or Direct Loans that are in default, and private loans are not eligible for suspended payments through the CARES Act.

For these qualifying loans, it will be as if a borrower made a payment for each month the payments are suspended, and interest will not accrue during the six-month period. Please contact your loan provider to see if your loan is eligible for payment suspension.

Interest Waived on Specific Loans

The CARES Act states that interest will not accrue on loans that are in payment suspension due to the coronavirus pandemic. This is an extension of the prior guidance released from the Department of Education for student borrowers. Only non-defaulted Direct Loans and FFELs are eligible for the six-month interest waiver.

Collection Suspended on Specific Loans

The CARES Act suspends involuntary collection of defaulted Direct Loans and FFELs that are owned by the government until Sept. 30, 2020, which includes nonjudicial wage garnishment and federal benefit offset, and other types of government collection.

Previous Student Loan Guidance

On March 20, 2020, the Department of Education announced relief for student loan borrowers stating that borrowers may suspend federal student loan payments without penalty or accruing interest for at least 60 days.

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Individuals should speak to their lenders for more information on how this may affect them.

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This announcement clarifies Trump's announcement from a week earlier that signaled relief for student loan borrowers. As such, borrowers may suspend federal student loan payments without penalty or accruing interest for at least 60 days, retroactively, starting from March 13. However, taking this action does not wipe away any existing debt, however, nor is the deferral automatic.

Borrowers must contact their lenders in order to request loan forbearance (i.e., a suspension of payment). This relief option already exists for borrowers who have trouble repaying their loans; however, unlike the payment deferral, interest on



student loans will automatically be halted during this 60-day period.

Employers should inform their employees about this new policy, as many workers still have student loans.

What's Next?

Individuals with student loans should contact their lenders for more information. Contact Summit Financial Group, Inc. for more information regarding the CARES Act.

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