

Student Loan Repayment During Covid-19

This information is current as of April 16, 2020, but is subject to change

The Coronavirus Aid, Relief, and Economic Security Act (CARES) is a Federal act that provides significant relief to many student loan borrowers. This includes 0% interest and no payments until September 30, 2020. If you do not know who owns your student loans, or what type of student loans you have, contact your loan servicer (your monthly statement will have contact information for the servicer).

What Loans are Covered by the CARES Act?

The CARES Act applies to loans held by the U.S. Department of Education (Direct Loan, some Federal Family Educational Loans, some Perkins Loans). The interest rate on these loans is 0% as of March 13, 2020, and your payments are suspended until September 30. This time is called the forbearance period. You can ask for a refund of any payment made during the forbearance period. For credit reporting purposes, the Department of Education will report these loans as if a regularly-scheduled payment had been made.

If you are able to make payments during the forbearance period, all of your payment will be applied to the principal of your loan.

What if I was behind on payments before Covid-19?

If you are behind in payments, your loan may be in default. Assuming you have a covered loan, the Department of Education has stopped the collection of defaulted loans until September 30. This means you should not receive calls from debt collectors about your student loans. The CARES Act extends 0% interest to covered student loans in default - no interest and penalties will accrue. Also, if your wages, Social Security, or tax refunds are subject to a garnishment order, the garnishment will not happen until after September 30. If your income was garnished after March 13, you should immediately contact your employer and the loan servicer to request a refund.

How is the payment schedule affected for borrowers who participate in Income-Driven Repayment or Public Service Loan Forgiveness (PLSF)?

You will receive "payment credits" for the months your loan is in forbearance, even if you do not make a payment. Unfortunately, the CARES Act does not explain what happens to credits for PLSF borrowers who lose their jobs during this time period.

What happens to my Private Loans and Loans not owned by the U.S. Department of Education?

Private loans are not covered by the CARES Act. Also, some Federal loans are not owned by the U.S. Department of Education (for example, Perkins Loans owned by the educational institution, or FFEL owned by commercial lenders). Many lenders are offering payment plans, lower interest, or forbearance, so you should contact your lender directly for assistance.

Should I consolidate my student loan into a loan covered by the CARES Act?

It is possible to consolidate some of your loans into Federal loans that would be covered by the CARES Act. You would have 0% interest and forbearance until September 30, but your interest rate after that time period may be higher than it is now. Be careful to analyze your repayment period and your current interest rate, and calculate whether a temporary interest rate of 0% is a good deal for you.

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