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The CARES Act Student Loan Relief Options: Who Benefits and How?

Presented by Nancy LaPointe

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act encompasses a number of provisions that offer relief for student loan borrowers. If you have a student loan, here's what you need to know.

How Does the CARES Act Help Student Loan Borrowers?

Interest and required payments on federal student loans owned by the U.S. Department of Education will be automatically suspended, without penalty, through September 30, 2020. If, however, you wish to continue making repayments on your loan, you may do so.

When Is the Interest Waiver Effective?

Retroactive to March 13, 2020, and effective through September 30, 2020, interest on applicable federal student loans will not accrue.

What Type of Loan Is Included?

Federal student loans owned by the U.S. Department of Education are included. Excluded from this relief program are federal student loans held by a commercial lender or by a school directly. Private student loans are also excluded.

Will the Monthly Payment Change for Those Who Continue to Make Payments?

If you choose to continue making monthly loan payments during the suspension period, you can increase or decrease the amount of the payment by contacting your loan service provider. Due to the interest waiver, however, the full amount of your monthly payments made during the suspension period will apply to the principal balance of your loan.

Is Action Needed to Receive the Relief?

No. The interest waiver and suspension of required payments will be applied to the applicable federal student loan accounts automatically through your loan service provider.

Will Automatic Debit Payments Stop?

Yes. Your loan service provider will suspend automatic debit payments for student loans owned by the U.S. Department of Education. You can request a refund from your loan service provider for automatic payments that occurred from March 13, 2020, through September 30, 2020. To resume your automatic debit payments, contact your loan service provider.

How Does the CARES Act Affect Loan Forgiveness Programs?

There is good news for individuals working toward Public Service Loan Forgiveness (PSLF) or Teacher Loan Forgiveness (TLF). Despite the suspension of required payments, each month through September 2020 will count toward the PSLF program. For teachers in the TLF program who are unable to finish the teaching year as a result of the COVID-19 pandemic, the partial year will count as a full year.

Will Debt Collection Be Suspended?

Yes. Debt collection for federal student loans owned by the U.S. Department of Education is suspended until September 30, 2020. This suspension applies to garnishments on wages, tax refunds, and social security benefits.

Does the CARES Act Include an Employee Benefit?

As a tax-free employee benefit, employers can elect to pay up to \$5,250 as a student loan repayment. This amount will not be considered taxable income to the employee. It is applicable to student loan payments made after the signing of the CARES Act on March 27, 2020, and before January 1, 2021. The \$5,250 total includes both repayment of student debt and education assistance benefits excluded from employee's income for the calendar year.

How Can Borrowers Get Assistance or Additional Information?

If your loans are not included in this relief program and your income has been reduced or you're facing challenges during this time, reach out to your loan service provider for assistance in evaluating your options.

Additional information about student loans is available on the [U.S. Department of Education](https://www.ed.gov) website (*ed.gov*) and through your loan service provider. We're happy to help you make the best decision for your situation—contact us today.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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