

Common Questions Regarding COVID-19 Relief for Student Loans

Last Updated August 22, 2020, 2020

How does the executive order signed on August 8th affect my loans?

On August 21st, the Department of Education issued a press release confirming that they will be treating the latest executive order as a full extension of the CARES Act. This means that federally held federal loans will continue to have payments and interest waived until December 31st and that this period will continue to count towards Public Service Loan Forgiveness and other programs. See Module 1 for more detailed information on this extension.

How will the six-month forbearance affect my credit score?

The CARES Act requires that federal student loans eligible for the waivers be reported to the credit bureaus as if they were in repayment, on time and with payments being made. We are hearing from some borrowers that their credit report is showing their loans in deferment or forbearance rather than in repayment and that their credit scores have dropped. This situation should be resolved within the next few weeks if not sooner.

Loan servicers have a monthly deadline of the 10th for credit bureau reporting, although some report at the end of the prior month. As the CARES Act wasn't written into law until March 27th, some servicers did not have enough time to reprogram their systems to reflect this new and unique status. Prior to the CARES Act, there was no such thing as a payment postponement or waiver that reflected as an in repayment status on a consumers credit report. We have been assured that the May 10th credit bureau update reflected the correct status, back-dated to March.

If you were denied a loan due to this temporary credit drop, we suggest approaching the lender with your new credit report once it reflects the update. We advise consumers to utilize the primary credit bureau reporting agencies rather than a service that aggregates the data as such services can take longer to update and may have different algorithms.

I am due to recertify my income driven plan during the COVID waiver period. Should I?

The short answer is it's up to you. For loans eligible for the COVID waivers, recertification anniversaries have been pushed out by six months. You can still recertify your income driven plan on your normal anniversary date if you choose, or you can wait for the new anniversary date with no negative consequences in either scenario.

For example, if your "normal" recertification due date is July 1st you can recertify your plan anytime between July 1st and January 1st without being removed from your IDR plan or having any interest capitalize. Your future recertification anniversary will be based on when you last recertified. So if you recertify in July, it will stay July, if you wait until October, it will be October going forward.

How do I know if my loans are eligible for the 0% interest rate and the six-month COVID-19 related forbearance?

If you have Federal Direct Loans, they are eligible for these relief programs. If you have Federal Family Education Loan Program (FFEL) or Perkins loans, you can either ask your loan servicer if they are eligible, or log on to www.studentaid.gov and find who is listed as the lender for these loans. If it is Department of Education, the loan is eligible for the benefits. If it is not, the Department of Education has stated that the lenders and schools may, but are not required to, offer the interest rate discount and/or six month waiver for payments.

How will the six-month forbearance affect my eligibility for Public Service Loan and other forgiveness programs?

The legislation passed by Congress on March 25th allows the months in the COVID related forbearance on federally held loans to count for PSLF and other forgiveness program purposes. The borrower must be working full time for an eligible employer during this period for the six months to count towards the required 120 payments.

My servicer still hasn't applied the 0% interest rate to my loans – what do I do?

If your loans are eligible for the waiver it will be applied. Keep in mind that these are unprecedented times and actions and it could take some loan servicers some time to apply the benefits. Some servicers are reporting that it could be a month or more before these changes will be completed. Be assured that they will be retroactive to March 13th. Note as well that government and servicers are being impacted by absenteeism and social distancing policies and may be working with reduced staff and increased volume. As with everything else during this difficult time we recommend patience. The Department of Education has stated that they expect all eligible waivers to be applied by April 10th, retroactive to March 13th.

I have interest that has been accruing on my loans prior to the March 13th effective date of the interest and payment waivers. Will that interest capitalize at the end of the COVID related forbearance?

No. This is a non-interest capping forbearance. If, however, your status after the COVID relief period is an interest capitalization event, the interest may capitalize at that point. For example, if you were in a deferment and had unsubsidized loans and that deferment ended a month after the COVID forbearance did, the interest would capitalize then. Also note if you have loans that were placed in a disaster or other type of forbearance due to not being eligible for the COVID relief (such as non-federally held FFEL loans), the interest will accrue and capitalize.

Can I make payments during forbearance?

Yes.

When does the COVID forbearance period begin and end?

The COVID related forbearance period will be retroactive to March 13, 2020 and end, if not extended, May 12th, 2020. On March 25th, 2020 Congress passed legislation extending the forbearance on federally held loans to September 30, 2020

When I requested the COVID forbearance, my servicer placed my account on a 12-month forbearance instead of 6 months. Does this mean the COVID forbearance has been extended to a year?

No. If utilizing the pandemic related forbearance issued for federally held loans you can expect that forbearance to end on September 30, 2020 unless it is extended again which is unexpected. Servicers often place a longer forbearance on accounts in situations where the period may be extended to ensure borrowers don't accidentally fall out of that status.

If I ask for a forbearance with automatic payments be stopped? Or, do I have to notify my bank to stop them?

If your payments are authorized through your bank you will need to notify your bank to stop them. If they are authorized through your loan servicer they should stop on their own. Note that this can take up to five days so if the forbearance is placed on your account near your due date it's possible that payment could be pulled anyway. You may be able to request this payment be returned.

Does the forbearance period correspond to the zero-interest period? In other words, is it the same six months?

Yes, it is the same 6 months.

I have defaulted FFEL loans, will my refund and wages still be garnished?

On April 4th, the Department of Education advised FFEL guarantors to cease all collection activity until September 30th. If you were in the process of rehabilitating your loan, this cessation in collections will not negatively affect your rehab progress. While you may continue to make your rehab payments if you choose, missing payments during this six month period will not require you to start your loan rehabilitation program from scratch.

Will any of my loans be forgiven?

While Democrats have proposed various levels of loan forgiveness, none of those proposals made it into the final legislation passed by Congress on March 25th.

What if I have additional questions or need more help?

TISLA offers free, expert, unbiased student loan counseling via email. You can reach us through the contact page at www.freestudentloanadvice.org

[Additional FAQ's from the Department of Education \(As of April 4, 2020\)](#)

Borrower Questions

Questions About the 0% Interest Period

UPDATED: Interest is being temporarily set at 0% on federal student loans. Which loans does the 0% rate apply to?

From March 13, 2020, through Sept. 30, 2020, the interest rate is 0% on the following types of federal student loans owned by ED:

- Defaulted and nondefaulted Direct Loans
- Defaulted and nondefaulted FFEL Program loans
- Federal Perkins Loans

Please note that some FFEL Program loans are owned by commercial lenders, and some Perkins Loans are owned by the institution you attended. These loans are not eligible for this benefit at this time.

How can I take advantage of this 0% interest period if I have Federal Family Education Loan (FFEL) Program and Federal Perkins loans not owned by ED?

While your lender or school can provide these benefits should it choose to do so, you can consolidate your FFEL Program or Federal Perkins loans not owned by ED into a Direct Consolidation Loan, which would be eligible for 0% interest. However, if you consolidate, after the 0% interest rate period ends, the interest rate on your loan may be higher than what you are currently paying. In addition, when you consolidate, any outstanding interest will capitalize, meaning that any outstanding interest is added to your principal balance. Your servicer can provide you with information about how your loan balance, interest rate, and total amount to be paid would change if you consolidated into a Direct Consolidation Loan.

Who can tell me if my loans will have their interest rate temporarily reduced to 0%?

Contact your [loan servicer](#) online or by phone to determine if your loans are eligible. Your servicer is the entity to which you make your monthly payment. If you do not know who your servicer is or how to contact them, visit [StudentAid.gov/login](https://studentaid.gov/login) or call us at 1-800-4-FED-AID (1-800-433-3243; TTY for the deaf or hearing-impaired 1-800-730-8913) for assistance.

If my loans are owned by ED, do I need to do anything for the interest on my loans to be set at 0%?

No, ED will automatically adjust your account so that interest doesn't accrue (i.e., accumulate). The account adjustment will be effective March 13, 2020.

UPDATED: If I make loan payments during the 0% interest period, how will they be applied?

During the period of 0% interest (March 13, 2020, through Sept. 30, 2020), the full amount of your payments will be applied to principal once all the interest that accrued prior to March 13 is paid.

UPDATED: Are private student loans eligible for the 0% interest benefit?

No. ED does not have legal authority over private student loans, and they are not covered by the *CARES Act*.

Questions About the Forbearance (Temporary Suspension of Payments)

UPDATED: I understand that my loans will be placed in administrative forbearance, temporarily suspending my monthly payments. How long will the administrative forbearance last?

The administrative forbearance will last from March 13, 2020, through Sept. 30, 2020.

NEW: If I'm currently in an income-driven repayment (IDR) plan, will my suspended payments count toward IDR forgiveness?

Yes.

NEW: Will suspended payments count toward Public Service Loan Forgiveness (PSLF)?

If you have a Direct Loan, were on a qualifying repayment plan prior to the suspension, and work full-time for a qualifying employer during the suspension, then you will receive credit toward PSLF for the period of suspension as though you made on-time monthly payments.

NEW: What will happen to my regular auto-debit payments if I do nothing?

Auto-debit payments are suspended during the administrative forbearance. Any auto-debit payments processed between March 13, 2020, and Sept. 30, 2020, can be refunded to you. Contact your loan servicer to request that your payment be refunded.

If you don't want an administrative forbearance and want to continue making payments, contact your loan servicer to opt out of the administrative forbearance, and your auto-debit payments will resume.

You also have the option to remain in the administrative forbearance and make manual (i.e., not auto-debit) payments during the administrative forbearance period. Visit your loan servicer's website to make a payment, or contact your loan servicer for more information.

NEW: If I made a payment after the president signed the CARES Act on March 27, 2020, can I receive a refund?

Yes; any payment you made during the administrative forbearance period (March 13, 2020, through Sept. 30, 2020) can be refunded. Contact your loan servicer to request that your payment be refunded.

NEW: If I'm trying to rehabilitate my defaulted student loan, will my suspended payments count toward my rehabilitation?

Yes.

UPDATED: How will I know when I will have to start making payments again?

The 0% interest period and administrative forbearance is currently set to expire on Sept. 30, 2020. Your servicer will contact you, no later than in August, to remind you that you will need to start making payments again. Make sure your contact information is up to date in your loan servicer account profile.

UPDATED: What if I want to continue making payments?

If you wish to continue paying your loans during the administrative forbearance period, or to pay more or less than your regular payment amount, you are free to do so. Contact your loan servicer or visit your servicer's website to make a payment or to find out how you can continue or start auto-debit payments. Continuing to make payments during the administrative forbearance could help

you pay down your loan balance more quickly because the full amount of a payment will be applied to principal once all interest accrued prior to March 13, 2020, is paid.

If you continue making regular payments but then experience a change in income, please contact your [loan servicer](#) as soon as possible to discuss options, such as enrolling in an income-driven repayment plan to lower your payments or opting in to the administrative forbearance that ends Sept. 30, 2020.

What if I want to continue making a partial payment while my loan is in forbearance?

As long as you are in forbearance, you will not be penalized for making a payment that is less than your usual monthly payment. Meanwhile, you still have the option to make a payment on your loan to make progress toward reducing your balance. Contact your loan servicer or visit your servicer's website to make a payment or to find out how you can continue or start auto-debit payments.

Questions About Defaulted Loans

UPDATED: On March 25, 2020, ED announced that my federal tax refund would not be withheld to repay my defaulted federal student loan debt. My refund has already been taken. Will I get it back?

Yes, but only if your federal tax refund was in the process of being withheld—on or after March 13, 2020, and before Sept. 30, 2020—for the repayment of a defaulted federal student loan.

Your federal tax refund will not be returned to you if the process to withhold your refund was completed before March 13, 2020.

If you have questions about whether your federal tax refund was withheld, call ED's Default Resolution Group at 1-800-621-3115 (TTY for the deaf or hearing-impaired 1-877-825-9923).

UPDATED: On March 25, 2020, ED announced that a portion of my Social Security payment, including disability benefits, would not be withheld to repay my defaulted federal student loan debt. My Social Security payment has already been taken. Will I get it back?

Yes. The portion of your Social Security payment that was taken will be returned to you if your payment was in the process of being withheld—on or after March 13, 2020, and before Sept. 30, 2020—for the repayment of a defaulted federal student loan.

The portion of your Social Security payment that was withheld will not be returned to you if the process to withhold it was completed before March 13, 2020.

If you have questions about whether your Social Security payment was withheld, call ED's Default Resolution Group at 1-800-621-3115 (TTY for the deaf or hearing-impaired 1-877-825-9923).

UPDATED: On March 25, 2020, ED announced that my wages would not be garnished, but money is still being taken from my paycheck. What should I do?

Your human resources department will receive a letter from ED instructing them to stop your wage garnishment. If ED receives funds from a garnishment between March 13, 2020, and Sept. 30, 2020, we will refund your garnished wages.

UPDATED: On March 25, 2020, ED announced that Department-contracted private collection agencies stopped making collection calls and sending letters or billing

statements. What should I do if I want to continue the payment arrangements I started before ED’s announcement?

You can continue your payment arrangement related to your defaulted federal student loan. Private collection agencies have been instructed to not make collection calls and not accept auto-debit payments from March 13, 2020, through Sept. 30, 2020. However, private collection agencies are available to assist you if you reach out to them during this period. To be connected to your private collection agency to continue your current payment arrangement, call ED’s Default Resolution Group at 1-800-621-3115 (TTY for the deaf or hearing-impaired 1-877-825-9923).

On March 25, 2020, ED announced that Department-contracted private collection agencies stopped making collection calls and sending letters or billing statements. What should I do if I want to consolidate my defaulted federal student loans or start a loan rehabilitation arrangement now?

To consolidate, or to start a loan rehabilitation arrangement related to your defaulted federal student loans, call ED’s Default Resolution Group at 1-800-621-3115 (TTY for the deaf or hearing-impaired 1-877-825-9923) for assistance.

UPDATED: Will my defaulted loan accrue interest?

Defaulted loans owned by ED will not accrue interest from March 13, 2020, through Sept. 30, 2020. That includes Direct Loans and FFEL Program loans owned by ED. Read the Q&As above to learn more about the 0% interest period.

General Loan Questions

UPDATED: I’m currently on an income-driven repayment plan. I’m unemployed because of the coronavirus outbreak and don’t know when my income will return to the same level. What can I do?

You are automatically being placed in an administrative forbearance that allows you to stop making your payments from March 13, 2020, through Sept. 30, 2020.

If you are on an IDR plan and your income has changed significantly, you can update your information and get a new payment amount based on your current income. To do so, visit [StudentAid.gov/idr](https://studentaid.gov/idr), click on “Apply Now,” and then start the application by clicking on the button next to “Recalculate my monthly payment.” After the administrative forbearance ends on Sept. 30, 2020, your monthly payments will resume at the new amount.

If you would like to enroll in an IDR plan for the first time, visit [StudentAid.gov/idr](https://studentaid.gov/idr), click on “Apply Now,” and then start the application.

- [Coronavirus.gov](https://www.cdc.gov/coronavirus) — The Centers for Disease Control and Prevention offers this site, which features everything from prevention tips, common symptoms, and current updates on how many cases there are in the United States, to advice about travel and a list of frequently asked questions.
- [USA.gov coronavirus page](https://www.usa.gov/coronavirus) — USA.gov shares how agencies across the federal government are responding to the outbreak.
- [Federal student loan servicers](https://studentaid.gov/loan-servicers) — Our website lists servicer contact information for borrowers who want to ask questions, request a deferment or forbearance, etc.
- [U.S. Department of Education COVID - 19 information for schools and school personnel](https://www.ed.gov/COVID-19)

- [Information for Financial Aid Professionals website](#) (for postsecondary school financial aid staff; look for information in the “Letters and Announcements” section)