

# What you need to know about the CARES Act and Your Federal Student Loans

The \$2 Trillion Stimulus Package known as The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, H.R. 748) was enacted on Friday, March 27th, 2020. The student loan portion of the CARES act was extended through December 31<sup>st</sup> 2020 by executive order on August 8<sup>th</sup> 2020. <https://studentaid.gov/announcements-events/coronavirus>

## 1 Your payments will be Automatically Suspended

All borrowers with eligible federal student loans, will have their monthly payment obligation automatically suspended through December 31, 2020.

The new law requires lenders to alert borrowers that the payments have been suspended within 15 days of the bill's signing.

## 2 Suspended Payments Count Towards PSLF or Loan Rehabilitation

Under the CARES Act, suspended payments will be treated as though the borrower had made the payments for the purpose of loan forgiveness and loan rehabilitation programs.

## 3 Wage Garnishments Are Suspended

- Wage garnishments, tax garnishment, and social security garnishments are now suspended.
- Wage and tax garnishments made after March 13, 2020 will be refunded.
- If your wages are still being garnished after March 13th you should contact your HR department.

## 4 Payment Suspension lasts through December 31<sup>st</sup>, 2020

Beginning Nov. 1, 2020, the U.S. Department of Education will begin notifying borrowers when normal payment obligations will resume.

## 5 Eligible Loans

Under the CARES Act, loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program are eligible, including:

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans
- Direct Consolidation Loans
- Federal Family Education Loan Program (FFELP) transferred to the Department of Education

## 6 Loans that are not Eligible

The following loans are not eligible under the CARES Act:

- Federal Perkins Loans managed by universities.
- Federal Family Education Loan Program (FFELP) Loans managed by banks and other financial institutions. If you have FFELP loans call your servicer and ask about consolidation into a direct loan.
- Private Loans

## 7 Loan Cancellation for Current Students

For borrowers who withdraw from their school as a result of the coronavirus crisis, the Act requires the Secretary to cancel the borrower's Direct Loan associated with the payment period in which they withdrew.

## 8 PCUSA Borrowers

If you are having difficulties making payments on your PCUSA loan, reach out to KHESLC at 800-693-8220 and ask for the COVID-19 emergency deferment. This is a no interest, no payment deferment through December 31<sup>st</sup>. Be advised, your payments may go up when the loan is re-amortized after December 31st.