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CARES Act Summaries – Student Loans

The Act provides temporary relief for student loan borrowers with regard to federal student loans made under parts D (Federal Direct) and B (HBCUs) of the Higher Education Act. The Act:

- Directs the Secretary of Education to **suspend all payments** due through Sept. 30, 2020.
- **Bars the accrual of interest** during this suspension.
- Directs the Secretary to **deem as paid** any payment not made as a result of this suspension for the purpose of any loan forgiveness or rehabilitation program for which the borrower would have otherwise qualified.
- Directs the Secretary to ensure that, for the purpose of **credit reporting**, any payment that was not made in light of this suspension be reported as though it were timely paid in full.
- Directs the Secretary to **suspend all involuntary collection activities** related to a loan in suspension, including: (a) wage garnishment; (b) tax refund reduction; (c) reduction of certain other Federal benefit (like SSA payments); or (d) “any other involuntary collection activity.”
- Directs the Secretary to **notify borrowers** within 15 days of the enactment of the Act of: (a) “actions taken in accordance with this section and ensure effective transition”; (b) the borrower’s option to continue making payments toward principal; and (c) the temporary nature of this relief.
- Directs the Secretary, beginning Aug. 1, 2020, to carry out a **program to provide at least six notices** by “postal mail, telephone, or electronic communication” to borrowers indicating:
 - (a) when the borrower’s normal payment obligation will resume;
 - and (b) that the borrower has the option to enroll in income-driven repayment.

There are two other provisions that may be pertinent to student loan servicers:

- 1. Adjustment of Subsidized Student Loan Usage Limitation.** The Act amends the Higher Education Act – 20 U.S.C. § 1087a, et. seq. – to allow the Secretary to exclude from a student’s period of enrollment any “semester (or the equivalent)” that the student did not complete due to a “Qualifying Emergency” (defined as one of several coronavirus-related declarations). However, this section will only apply “if the Secretary is able to administer such policy in a manner that limits complexity and the burden on the student.” For last-semester students, who would otherwise have graduated in the Spring or Summer of 2020, this could delay required repayment.
- 2. Cancellation of Certain Student Loan Obligations.** The Act amends the Higher Education Act – 20 U.S.C. § 1001, et. seq. – to allow the Secretary of Education to cancel a



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borrower’s obligations to repay the “entire portion” of certain loans “associated with a payment period for a recipient of such loan who withdraws from the institution of higher education during the payment period as a result of a qualifying emergency.”