



## **CARES Act Relief for College Students and Student Loan Borrowers**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The new law, coupled with temporary rule changes from the U.S. Department of Education (Department), is set to impact state policy initiatives on this issue of student debt. These federal actions provide stopgap financial assistance and relief to current students and to student loan borrowers negatively impacted by the COVID-19 crisis. This document outlines the changes to federal student aid with an eye towards the implications for relevant stakeholders such as institutions, state agencies, non-governmental organizations, and students.

### **Federal action provides the following benefits to current students:**

- 1. Students may be eligible for emergency grants from their institutions.** Students facing unexpected expenses or unmet financial need as a result of COVID-19 can inquire with their institution's financial aid office about emergency aid. Students may use these funds for cost of attendance expenses such as food, housing, course materials, technology, healthcare, and childcare. The exact amount awarded will depend on the availability of funds at an institution.
- 2. Students who were awarded Federal Work Study (FWS) for the 2019-2020 school year and were completing their work obligation prior to the COVID-19 crisis may still receive payments even if they are unable to work due to the pandemic.** Students can be paid an amount up to the total wages they would have earned prior to a COVID-19 disruption. Payments can be made by an institution as a one-time lump sum or in smaller payments.
- 3. Students will have greater flexibility to take leaves of absence due to COVID-19.** The institution may retain any federal student loans and grants already awarded to the student and apply that aid to a student's balance when they resume coursework.
- 4. Students who withdraw due to COVID-19 will not need to return grant aid and can have their corresponding debt canceled.** The Department will cancel Direct loans and waive the requirement that students return Pell Grants or other types of grant assistance if they withdraw due to COVID-19.

5. **Students' eligibility periods for Direct loans and Pell Grants will not be impacted.** Any semester that a student does not complete due to the COVID-19 crisis will not count toward their total period of eligibility for Direct loans or Pell Grants.
6. **Direct Unsubsidized loans will not accrue interest for six months.** Interest on Direct unsubsidized loans – which usually accrues from the date of disbursement until a student leaves their program – will be waived until September 30, 2020.

**Federal action provides the following benefits to student loan borrowers:**

1. **Suspends all payments.** The CARES Act suspends payments on Direct and Federal Family Education Loans (FFEL) held by the Department for the next six months. Borrowers should visit the National Student Loan Data System webpage (<https://nslds.ed.gov/npas/index.htm>) to verify that their loan is eligible. Borrowers may request a refund for any payment made on or after March 13 and can opt to make payments towards their principal for the next six months.
2. **Waives all interest.** The CARES Act waives all interest on Direct and FFEL loans held by the Department for the next six months.
3. **Counts all suspended payments toward loan forgiveness programs and for the purposes of loan rehabilitation.** Borrowers who are in the process of having their loans rehabilitated or are enrolled in a forgiveness program will continue to make progress in their respective program even if they cannot make a payment between now and September 30.
4. **Extends (re)application deadlines for income-driven repayment (IDR).** The Department will extend the annual income and family size certification deadline by six months for borrowers enrolled in IDR whose application is due before September 30.
5. **Stops involuntary collections on defaulted student loans.** The CARES Act suspends involuntary collections – including wage garnishment, seizure of tax refunds and Social Security – on defaulted Direct and FFEL loans currently owned by the Department for the next six months.

Student Defense is a non-partisan, non-profit 501(c)(3) organization that works, through litigation and advocacy, to advance students' rights to educational opportunity and to ensure that higher education provides a launching point for economic mobility.

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