



How does the CARES Act affect my student loans?

By Martin Lynch, Cambridge Credit Counseling

With the rush to move classes online, you may not have been paying close attention to what was happening regarding your student loans and the relief package being assembled in Congress. The CARES Act, signed on Friday, 3/27, may hold good news for you.

The federal government had already waived payments and interest for two months, but the new legislation extends the waiver until September 30 for any student loan held by the federal government. (Notifications will be coming soon, but you should check your accounts online in a few weeks to confirm that no payment is due. We don't know how quick servicers will update accounts.) PLUS loans are included in the waiver, but *FFEL, Perkins and private loans are not*. FFEL loan holders could consolidate those loans now and gain relief until October, but there's probably no reason to include a Perkins loan in that strategy, as they're already incrementally forgivable for teachers.

For MTA members aiming for Public Service Loan Forgiveness (PSLF), the waiver means you'll receive credit for making 6 payments toward the 120 needed for forgiveness, without having to actually make a payment. There's also no need to pay down the principal balance because your goal in PSLF is to maximize the amount to be forgiven, or, in other words, to pay as little as possible over time until you've made 120 qualifying payments. You'll need to contact your servicer in September to ensure that auto-drafts of your monthly payments will resume in October.

If your loans aren't eligible for PSLF, and you can afford to, you might choose to make payments until October, as those will go directly toward reducing your principal balance. If you're also holding private loans, contact your lender ASAP to inquire about any temporary relief they may be offering. Private lenders are also caught up in this chaos, but many are also ramping up efforts to assist you and may offer fee waivers and/or partial payments until the crisis is over.

Finally, if you were already 31 days past due on your federal loans, the initial forbearance offered by the government has also been extended to September 30, and collection efforts are supposed to stop by then. The same is somewhat true for any Treasury offsets that were in the works, but only through mid-May. The Department of Education has indicated that it will refund \$1.8 billion to more than 830,000 borrowers whose offsets were in the process of being withheld on March 13, when the COVID-19 national emergency was declared. Details about how those refunds will be made have not yet been released. And in an effort to end on a good

note, for anyone going through the federal student loan rehab process, the 6-month payment waiver also applies to you, enabling you to reach the 9 required payments much easier.

If you'd like to discuss your student loan status as it relates to the CARES Act with a counselor, or talk about how your household budget has been impacted, Cambridge Credit Counseling staff are available during the crisis at 800.757.1788, ext. 5373.