

1. On March 27, 2020, Congress passed, and the president signed into law, the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*, which provides suspend loan payments, stop collections on defaulted loans, set interest rates to 0% for a period of 60 days through Sept. 30, 2020
2. On Aug. 8, 2020, President Trump directed the Secretary to continue to suspend loan payments, stop collections, and waive interest on ED-held student loans until **Dec. 31, 2020.**

## **What You Need to Know:**

- **Federal Loan Payment Suspension:** **Effective through December 31, 2020**
  - All payments on federally held student loans (not commercially held FFELP or private student loans) are suspended through **December 31, 2020**. This is an extension of the 6-month emergency forbearance which had previously been announced.
  - During the suspension period, interest shall not accrue on federally held loans. No action is needed for the interest rate to be applied to your loans.
  - For purposes of federal loan forgiveness and loan rehabilitation programs, payments will be treated as if they were made for each month during the suspension period. For borrowers pursuing a forgiveness program such as Public Service Loan Forgiveness, this change can provide **significant financial benefit**.
  - Suspended payments must be reported to the credit bureaus as if they were made, thus ensuring the borrower remains in good standing.
  - Automatic payments set up through a bank must be removed by the borrower. Automatic payments set up through the loan servicer will be automatically suspended.
  - The DoE has authorized an automatic suspension of payments for any borrower more than 31 days delinquent as of March 13, 2020, or who becomes more than 31 days delinquent.
  - The Secretary of Education is given a timeline of 15 days to notify borrowers of their next payment due date.
- **Suspension of Involuntary Collection of Loans:** **Effective through December 31, 2020**
  - If the borrower's federal student loan(s) are currently past due and reaching default and/or garnishment, active collection during this time will be suspended.
  - If federal student loan(s) are presently in default and/or garnishment, the borrower should contact the collection agency to determine how repayment will be affected.
- **Tax-free Student Loan Payment Support:** Effective from March 27 through December 31, 2020 **No Change**
  - The CARES Act expands tax code Section 127 to allow employers to reimburse employees up to \$5,250 for most student loan payments, excludible from taxable income.
  - This is a combined limit, meaning employers who offer tuition reimbursement and student loan repayment programs have a cap of tax-free support at \$5,250 per employee. The \$5,250 limit for loan-repayment assistance would be reduced by any other educational assistance payments, e.g., tuition reimbursement, employees receive under Section 127.
  - The payments must be for a student loan incurred for the education of the employee and not dependents.

- The rules for educational assistance programs under Section 127 will apply. For example, employers must establish a written policy describing the benefit and communicate the terms of this policy to all eligible employees
- Employer contributions toward student loans must be made by January 1, 2021 for the payments to be tax exempt. Employer payments made either before enactment of the CARES Act or after January 1, 2021, will be counted as taxable income for the employee.

## **Frequently Asked Questions**

Q: *"I'm already participating in loan forgiveness. If I let my loans go into forbearance, will those count as qualified payments towards forgiveness?"*

A: You may receive up to **nine** qualifying payments if **all** the following criteria is met:

1. You have Direct Loans
2. Your Direct Loans were on a qualified payment plan (PAYE, IBR, ICR, REPAYE, 10-year standard) on **March 13, 2020**
3. Work full-time for a qualifying employer throughout the administrative forbearance period.

**Unsure if you meet the criteria?** We would be happy to verify this for you, [create an account](#) or log on to your [MyFiducius portal](#).

Q: *"I'm already participating in loan forgiveness. If I let my loans go into forbearance, will I have to start my 120 payments over?"*

A: No, your payments do not need to be paid consecutively. Once out of forbearance, payments will begin again.

**Unsure if you are participating in loan forgiveness?** We would be happy to verify this for you, [create an account](#) to schedule a time to speak with an advisor.

Q: *"What if I made a payment during this time, can I get a refund?"*

A: Yes; any payment you made during the administrative forbearance period (March 13, 2020, through Dec. 31, 2020) can be refunded. Contact your loan servicer to request that your payment be refunded.

Q: *"What if I want to continue making payments?"*

A: Continuing to make payments between March 13, 2020, and Dec. 31, 2020, 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. However, **those participating in loan forgiveness programs should NOT make payments during this time as this will reduce the amount of loan forgiveness.**

Q: *"It is time to start my recertification, should I recertify now?"*

A: It is not required to recertify your income prior to Dec 31, 2020; however, it is strongly encouraged to recertify on schedule to avoid delays and future qualifying payments applying towards forgiveness.