

Public Loan Guidance from the Department of Education

The CARE Act included provisions to assist people repaying student loans. The Department of Education has issued guidance to help interpret the new law. There is lots of good news for student borrowers but there are also some significant gaps.

The Student Loan Repayment Pause and 0% interest benefit.

The Act includes a “pause” on most federal student loans. This includes Federal Direct Loans and Federal Family Education Loans (FFEL) that are held by the Department of Education. It does not include FFIL loans that are commercially held or Perkins Loans owned by your college. Eligible loans are automatically being placed in an administrative forbearance from March 13, 2020 until September 30, 2020. Auto-debits are suspended during this period. If you already made a payment after March 13, you can request a refund by contacting your servicer. During this time, interest on most federal student loans will be changed to 0%. Servicers are required to contact you no later than August to remind you that your payments will resume in October, 2020.

Suspended payments WILL be counted toward Public Service Loan Forgiveness (PSLF).

If (1) you have direct federal loans, (2) were on a qualifying repayment plan prior to the event, and (3) continue to work for an eligible employer, the 6 month suspended payment will count toward your required 120 monthly payments under PSLF so you will only need to make 114 qualifying payments in total.

A Debt Collection Pause.

There is a pause on debt collection against borrowers who are in default— including wage garnishment, reduction of tax refunds, and reduction of Social Security and Social Security disability benefits. Recent guidance states that the pause on debt collection applies only from March 13, 2020 to September 30, 2020. If collections against you were being processed after March 13, you are eligible for a refund on that amount. The Department of Education already announced that it would refund more than 830,000 borrowers approximately \$1.8 billion in “Treasury offsets” that were still being processed when the pandemic was declared a national emergency on March 13.

Public Service Loan Forgiveness.

Our partner Savi can assist you in ensuring you qualify for PSLF. They have developed a comprehensive navigation program with personalized online tools and 1-on-1 support. Savi users save an average of \$1,500 - \$1,700 per year towards their student loan payments. The program is available to BMC employees and their family members who meet the PSLF qualification standards for \$60 per year. Visit BMC.bysavi.com to learn about the program. You may also contact Savi at 833.604.1226 or partners@bysavi.com for more information.