Guidance to Virginians with Student Loan Debt in Light of the Coronavirus (COVID-19) Crisis
Revised – April 3, 2020

Guidance from the U.S. Department of Education - StudentAid.gov/coronavirus

With the signing of the CARES Act into law, immediate relief is available to federal student loan borrowers. Here is a summary of the relief options. For more details, visit Federal Student Aid's site – studentaid.gov/coronavirus

Automatic Administrative Forbearance for Federal Student Loan Borrowers

- All payments from March 13, 2020 to September 30, 2020 will automatically stop and borrowers will be put into **administrative forbearance**.
- Any payment made after March 13, 2020 can be refunded by contacting your loan servicer.
- If you want to continue to make payments, contact your loan servicer. The full amount of your payment will go towards the principal of the loan.

Automatic Cessation of the Wage Garnishment and Tax Refunds for Loans in Collections

- Effective March 13, 2020 to September 30, 2020, **collection actions and wage garnishments** will end to help borrowers with defaulted student loans. For this to happen, employers need to make the change to borrowers' paychecks, so monitor your employers' compliance with the request to stop wage garnishment. Borrowers whose wages continue to be garnished after March 13 should contact their employers' human resources department. Any funds collected after March 13 will be returned to borrowers.
- **Treasury offsets**, which includes money withheld from defaulted borrowers' federal income tax refunds, Social Security payments, and other federal payments will end for the same time period.
- Any treasury offsets in process effective March 13, 2020 will be refunded to borrowers. Any tax refunds garnished prior to March 13 will not be refunded.
- Private collection agencies have been instructed to **halt all proactive collection activities**, including making phone calls to borrowers and issuing collection letters and billing statements.
- Private collection agencies are permitted to provide assistance **upon the borrower's request**. This includes efforts to consolidate loans or initiate loan rehabilitation. Questions can be directed to the Default Resolution Group at 1-800-621-3115 (TTY for the deaf or hearing-impaired 1-877-825-9923).
- The U.S. Department of Education encourages borrowers to **avoid paying for services** the Department provides for free.
- A **list of private collection agencies** contracted by the Department is available at StudentAid.gov/manage-loans/default/collections#contact-collection-agency .

0% Interest Period for Federal Student Loans

- Borrowers with **federally held** student loans will automatically have their interest rates set to 0% from March 13, 2020 to September 30, 2020.
- **Eligible loans** include: Defaulted and nondefaulted Direct Loans; Defaulted and nondefaulted FFEL Program loans owned by the government; and Federal Perkins Loans owned by the government.
- **Ineligible loans** include: FFEL Program loans owned by commercial lenders; Perkins Loans owned by the institution you attended; and private loans.
- If you have FFEL loans or Perkins loans and aren't sure if they qualify for the 0% interest period, contact your loan servicer or view the loan details page on your loan servicer online account.

Loan Forgiveness Program Eligibility

- For borrowers working towards **loan forgiveness** that requires a certain number of qualifying payments, such as those enrolled in an income-driven repayment plan, you will receive credit for the suspended payments. For those enrolled in Public Service Loan Forgiveness Program (PSLF) suspended payments will count as long as you are still working for a qualifying employer.

Additional details from the U.S. Department of Education can be found at:
StudentAid.gov/coronavirus

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Guidance from the Office of the Qualified Education Loan Ombudsman
Because your loans were automatically placed into administrative forbearance with 0% interest accrual, you are receiving immediate relief during this crisis. At some point, you will need to restart payments, so now might be a good time to make plans for that transition back into repayment. If you were struggling with payments prior to the crisis, the worst thing you can do is to stop making payments after September 30, 2020. Non-payment after 270 days leads to default and collections. Your best strategy is to enroll in an **income-driven repayment (IDR)** program that will lower your monthly payment for a year, or until circumstances improve. If the IDR monthly payment is still too high, you can request for a continuance of the forbearance for a short period of time. Every borrower has different circumstances, so you should call your servicer to discuss your options.

Further complicating matters, call centers at the major loan servicers are heeding the federal and state government directives regarding non-essential business functions, which includes temporarily closing call centers or limiting staff on-site. If you are able to log into your account online and request assistance, please do so.

Here are some steps you can take as you plan to re-start your payments in October 2020:

- Access the new **Federal Student Aid Loan Simulator**, which can help you make decisions about your student loans, including finding a repayment plan that meets your changing needs and goals.
- Call your **loan servicer** to discuss your options. While they may offer forbearance as the first option, request that they give you an income-based repayment quote first.
- Change to an **income-driven repayment (IDR)** plan, which sets your monthly payments to a percentage of your income, generally 10-15%. If you recently lost your job because of COVID-19 or have lower paychecks, your monthly IDR payment could be $0. Once you enroll in an IDR plan, it will last for one year, even if your income changes. After one year, you will have to re-certify your income so your servicer can recalculate your monthly payment. In many cases, entering an IDR plan is better than taking a short-term deferment or forbearance, which allows interest to accrue. Please note that while you are on an IDR plan, your repayment period will extend beyond the standard 10 years, but if you stay in an IDR plan, the remainder of your loans will be forgiven at the end of the plan, generally 20-25 years. You can change between standard, IDR and other repayment plans at any time by working with your servicer.
- Consider **deferments and forbearances** as a last resort. All federal loans and many private loans allow borrowers to temporarily stop making payments, known as deferments (limited options and interest does not accrue for subsidized loans) or forbearances (interest accrues for all loans). Depending on your loan, interest may continue to be charged even if you are not making monthly payments, so the overall balance of your loan may increase. In general, deferments are less expensive than forbearances, but you should ask your servicer about both options and how they would affect your loans so you can make an informed decision. If you are in a federal repayment

plan working toward loan forgiveness, any month that you defer or forbear after September 30, 2020 will not count toward forgiveness.

- Currently, all wage garnishments and tax refund garnishments are suspended until September 30, 2020. If your loan is in default, you have fewer options after September 30th. Work with your servicer to get out of default. If you are in default on your loans, you may not be eligible for repayment plans or hardship and relief programs. Call your servicer and ask about **loan rehabilitation**, which will remove your loans from default if you make nine voluntary payments in a 10-month period. These payments are designed to be affordable and can be as low as $5 a month. Once you have rehabilitated your loan, any involuntary collection will stop—such as wage garnishments or taking your tax returns—and you will be eligible for other repayment options. You may also be able to get your federal loan out of default through consolidation. For private loans in default, you should call your loan servicer to ask about your options.
- Contact **Virginia's Student Loan Advocate** if you need assistance understanding your options. It's important to have all the information before making such an important financial decision. Private companies may also suggest that you refinance your federal loans with them, which would replace your federal loans with private loans. Although the private interest rates may be low, most private loans do not have the same consumer protections and repayment flexibility that federal loans offer. **Before privately refinancing your federal loan, be sure to know exactly what your new loan would offer, and understand what you could be losing, including eligibility for Public Service Loan Forgiveness**. When refinancing a private loan, it's important to compare all the terms of the old loan with the terms of the new refinanced loan, not just the monthly payments and interest rates.
- Beware of **student loan repayment scams**. Student loan borrowers are frequently targeted by scammers that promise to lower monthly payments or get rid of loans altogether. If something is too good to be true, then it probably is. If you are contacted by a company other than your servicer offering help, do not give them your social security number or any login credentials related to your loans or bank accounts. Your servicer should be your first point of contact for loan relief, as well as no-fee non-profit organizations and government agencies, and not a company you've never heard of that calls or emails you. Federal loan relief programs are free, so call your servicer before paying anyone for help with your loans because your servicer will assist you with your loans for free.

Please know that the Commonwealth of Virginia has resources available to help you in the many ways that this crisis is impacting your life. Our office is here to help with any student loan related issues and concerns. Feel free to contact us as you make decisions on managing how the crisis has uniquely impacted you.