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MoneySense: Government offers help for federal student loans

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The COVID-19 emergency has affected the ability of many people to make their debt payments, including those with student loans. In recognition of this, the Department of Education announced terms for student loan payment relief.



It should first be noted that this relief is for federal student loans. If you have a private student loan, you will need to speak with your lender about your options. Only certain federal loans are eligible for relief, including Direct Loans, Federal Perkins Loans, and Federal Family Education Loans (FFEL) that are held by the Department of Education.

Be aware that some FFEL loans are administered through commercial lenders and some Perkins loans are actually held by the educational institution that the student attended. If this is the case for how your FFEL and Perkins loans are held, then you are not eligible for relief for these loans.

If you are unsure as to the status of your loan, contact your loan servicer for clarification.

Relief comes in two parts. One is a payment suspension period. This is an administrative forbearance and allows you to request a temporary suspension period for the payment of your student loan for 60 days starting from March 13, 2020. This means a temporary stop in payments without becoming delinquent. If you want to suspend your payment, you will have to request this. You will also have to request

a reinstatement of payment if you are making automatic payments.

Be careful if you are pursuing a Public Service Loan Forgiveness or Income Driven Repayment Forgiveness program. Time spent on administrative forbearance does not count for these programs.

If you were already 31 days behind in making payments on March 13 or become more than 31 days delinquent, you will automatically be placed in administrative forbearance. This is considered a safety net during the COVID-19 emergency.

The other part of student loan relief is in the form of an interest waiver. If you have an eligible loan, the interest rate will be set to 0% for a minimum of 60 days. This starts March 13, 2020.

The borrower's monthly payment is unchanged. The amount paid is applied first to interest accrued before March 13, and then to principal.

The Department of Education may extend the 60-day period depending on the status of COVID-19.

If you can afford to continue to make loan payments, you might want to consider doing so. This will allow you to make payments during the 0% interest rate period and pay off accrued interest and principal sooner.

If you have a change in income, contact your lender to discuss your options. Borrowers with income-driven repayment plans can ask to have their payment recalculated.

For more information, visit the federal student aid website.

For student loan and other education-related issues, the federal government will be posting updates and additional details as they become available to **studentaid.gov/announcements-events/coronavirus**.

As with any financial decision, be sure to research your options prior to making any choices as to the direction you wish to go. Hopefully, these measures by the Department of Education will help people focus on staying safe and healthy. At least for the next few months, growing student loan balances for certain borrowers might not be as great of a concern.

Be sure to keep an eye out for additional government programs and relief measures that the federal government may pass. These relief measures could help provide you with more payment assistance on your student loans if signed into law.

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