Cooley

Student and Borrower Relief Under the CARES Act

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In addition to providing institutions relief from certain federal student aid requirements, as discussed in our previous post, the CARES Act relaxes requirements for certain students and borrowers. This post highlights those provisions.

There are four key categories of relief for current students:

- **SAP**: Credits that are attempted but not completed due to the COVID-19 pandemic may be excluded from a student's SAP calculation without an appeal.
- **Loan and overpayment cancellations**: ED will cancel a student's Direct Loan repayment obligation for a payment period for which student withdraws due to the COVID-19 pandemic. In addition, students who withdraw due to the COVID-19 pandemic are not required to return the amount of any overpayment to ED.
- **Lifetime usage limits**: Semesters that are incomplete due to the COVID-19 pandemic will not count toward the time limit for Subsidized Direct Loan eligibility or the lifetime award or Pell Grants.
- **FWS**: Students working in a FWS job as of March 13, 2020, may receive anticipated FWS wages for the current academic year, even if they can no longer work due to the COVID-19 pandemic.

There are two key categories of relief for borrowers:

- **Loan suspension**: Borrowers of most – but not all – federal student loans will have their payment obligations suspended through September 30, 2020. In addition, eligible loans will not accrue interest during suspension period, and ED will halt collection activities on defaulted loans.
- **Service obligations for teachers**: TEACH Grant recipients may count a partial year of service as a full year toward their service obligation if they cannot complete their full year of service due to COVID-19. Further, a partial year of teaching service will not count against a borrower's obligation to teach consecutive years for the Teacher Loan Forgiveness Program.

Satisfactory academic progress

Institutions are required to monitor student progress in an academic program by calculating a student's satisfactory academic progress (SAP). The SAP calculation takes into account multiple factors, including the student's grade point average, credit completion and maximum timeframe to complete the program.

Under the CARES Act, students may have credits they attempted – but were unable to complete due to the COVID-19 pandemic – excluded from their SAP calculation without submitting a SAP appeal to their institution. ED intends to provide more guidance for institutions looking to implement this flexibility.

Loan and overpayment cancellations

Normally, ED may cancel a student's Direct Loan repayment obligation for a payment period only if the student withdraws before starting classes in that same payment period.

The CARES Act requires ED to cancel a student's Direct Loan repayment obligation if the student withdraws due to the COVID-19 pandemic during that same period.

In addition, students who withdraw due to the pandemic are not required to return an overpayment amount (i.e., the amount of Title IV funds awarded in excess of institutional charges) to the department.

Subsidized Direct Loan and Pell Grant lifetime usage limits

If a student is unable to complete a semester due to the COVID-19 pandemic, the incomplete semester does not count toward the time limit for Subsidized Direct Loan eligibility (150% of the program) or the lifetime award requirement for Pell Grants (six academic years).

Federal work study

Students working in a FWS job as of March 13, 2020, who can no longer work because of the COVID-19 pandemic, may receive anticipated FWS wages for the current academic year. The calculation of wages should be based on the student's hours worked and wages paid prior to the work stoppage.

Temporary relief for federal student loan borrowers

Although earlier legislative proposals would have resulted in forgiveness of certain federal student loans, the CARES Act does not authorize or require ED to forgive or cancel any loans, except in cases where a borrower withdraws during a payment period impacted by COVID-19 and only for loans for that period. However, borrowers holding the following qualifying loans will have their payments suspended and interest waived through September 30, 2020:

- **Loans owned by ED under the Family Federal Education Loan (FFEL) Program**: Subsidized Stafford Loans, Unsubsidized Stafford Loans, PLUS Loans and Consolidation Loans.
- **Loans owned by ED under the William D. Ford Federal Direct Loan Program**: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans and Direct Consolidation Loans.

For purposes of loan forgiveness or loan rehabilitation programs, each month for which a payment on a qualifying loan is suspended will be counted as if the borrower made a payment. In addition, any suspended payment of a qualifying loan will be reported to credit bureaus and consumer reporting agencies as if the payment was timely made.

For students whose qualifying loans are in collections or in default, ED will suspend involuntary collection activities (including, for example, the garnishment of wages or social security payments).

While this relief is available to a majority of borrowers, it *does not apply to all student loans*. Perkins Loans, some older FFEL loans that are held by an entity other than ED, such as a commercial lender, and private education loans are not subject to the same suspension provisions. Borrowers holding these loans must still make their required payments or work with the appropriate third party to make alternative arrangements. Borrowers with questions should consult ED's guidance for students and borrowers.

Service obligations of teachers

TEACH Grant recipients are required to teach at least four academic years within eight years of completing their program. For teachers who could not finish their year of teaching service as a result of the COVID-19 pandemic, the CARES Act allows ED to count a recipient's partial year of service as a full year of service toward the service obligation.

Under the Teacher Loan Forgiveness Program, teachers are required to complete a certain number of consecutive years of teaching service. For teachers who are unable to complete consecutive years of teaching service due to the COVID-19 pandemic, the requirement that teachers serve consecutive years of teaching service is waived.

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