

Q&A: HIGHER EDUCATION

What forms of relief are students impacted by COVID-19 eligible for?

Students will be eligible for emergency financial aid grants from their institutions to meet unexpected and urgent needs related to the coronavirus, such as expenses related to food, housing, course materials, technology, health care, and child care. Students who are currently participating in the Federal Work Study program can continue to receive work-study payments from their institution if they are unable to work due to workplace closures.

Relief also exists for students who must drop out of school due to COVID-19. Students will have the portion of their student loan taken out for the semester (or equivalent) canceled. Further, students who received a Pell Grant or subsidized student loan will not **have those types of financial aid counted toward their lifetime limits.**

What relief is provided to federal student loan borrowers?

Borrowers do not need to make payments on student loans held by the federal government (Direct Loans and FFEL Loans held by the U.S. Department of Education) through September 30, 2020. Borrowers with commercially-held FFEL loans and Perkins Loans are not eligible, and private student loan borrowers are also not eligible. No interest will accrue on such loans for the same time period. This provides more than 37 million borrowers with relief from the financial pressure of making monthly payments for approximately six months.

During this period, borrowers will not be subject to involuntary collections (garnishment of wages, tax refunds, and Social Security benefits) and will not have any negative credit reporting for late payments during this time period. Student borrowers will continue to receive credit toward Public Service Loan Forgiveness, Income-Driven Repayment forgiveness, and loan rehabilitation even though they will not be making payments. If borrowers want to continue making payments during this time to pay down principal and previously accrued interest (since no interest is accruing as of March 13) they are free to do so.

When will payments resume for federal student loan borrowers?

Starting August, student loan borrowers will receive notices to help inform them that their regular loan payments and interest accrual will resume after September 30, 2020. These notices will help protect borrowers by providing them with a transition period to stay on track as regular loan payments resume and to offer them the option to enroll in other relief options (such as income-driven repayment, which can lower a borrower's monthly payment).

I'm currently enrolled in a foreign institution abroad and am hearing that I might lose my student loans if I take classes online. Does this bill help me?

Yes. The CARES Act allows the U.S. Secretary of Education to permit a foreign institution to offer any part of its program through distance education if there is a public health emergency or other disaster or emergency declared by the government authorities in the country where the college is located. These distance education programs may be offered for the length of the emergency or disaster and the following payment period, to ensure students can maintain their student loans and finish out their coursework before reverting back to in-person instruction.

I'm currently enrolled in a foreign institution abroad and due to personal circumstances would like to take part of my coursework at another foreign college or a college in the U.S. Can I do so and maintain my student loans?

As long as there is still a public health emergency or other major disaster or emergency related to the coronavirus declared by U.S. government officials, then you may take part of your coursework at a U.S. institution of higher education with which your home institution (the foreign institution) enters and is permitted by the U.S. Secretary of Education, and maintain your student loans. This allows you to maintain your primary enrollment in your degree program with your original foreign institution, but gives you flexibility to take some coursework back in the U.S. if you need to come home. However, the CARES Act only allows this flexibility with U.S. institutions of higher education, and not other foreign institutions that are not already eligible for the federal student loan program.

I am an administrator at a foreign institution and my college had to transition to distance education before the CARES Act was passed. We encouraged our American students with student loans to continue taking their coursework online even though they were not permitted to at the time due to existing requirements in the Higher Education Act. Will our program lose eligibility for U.S. student loans?

The CARES Act recognizes that many institutions had to transition to distance education well before the Act was passed. If the program at the foreign institution was otherwise in compliance with requirements for federal student loan eligibility but transitioned to distance education between March 1, 2020 and the date of this Act's enactment, then that program will be deemed eligible for the federal student loan program. That eligibility will last the length of the public health emergency or other major disaster or emergency related to the coronavirus, as declared by U.S. government officials, and the following payment period. After that point, the program must return to its original in-person instruction delivery mode in order to maintain eligibility for federal student loans. If your college transitions to distance education during the 2019-2020 award year, you must report that change to the U.S. Secretary of Education by June 30, 2020. If your college transitions to distance education on or after July 1, 2020, then you must report that change to the Education Secretary within 30 days.

Does the six-month suspension of payments and waiver of interest apply to borrowers who have federally-guaranteed but commercially-held loans through the FFEL and Perkins Loan Programs?

No. The suspension only applies to all Direct Loans and FFEL loans held by the Department Education (which is about 25% of the FFEL portfolio). Approximately 37 million borrowers (or 87 percent of federal student loan borrowers in repayment) will receive relief under this plan. This is not the plan Senate Democrats would have written on their own, and will be continuing to fight to extend relief to borrowers of commercially-held FFEL loans and Perkins Loans

Does the sixty-day protection from involuntary collections apply to these FFEL and Perkins borrowers?

No.

Will outstanding interest on student loans capitalize during the six-month suspension of payments and waiver of interest?

During the six-month period until September 30, 2020 when payments are suspended, interest is also not accruing on federally-held loans. Therefore, there is no interest cannot capitalize (be added to the principal) on the loan. It remains unclear how interest that accrued prior to March 13th will be treated as this decision is left up to the Secretary of Education, but Senate Democrats will be strongly encouraging the Secretary not to penalize borrowers. Generally, interest only capitalizes when you leave deferment, forbearance, or income-driven repayment. Borrowers who do not change their loan repayment, or who move from “standard” to “income-driven” plans do not risk any capitalization.

Is there any aid that the public universities are eligible for?

Yes. Under the Education Stabilization Fund, just over \$13.9 billion is available for a Higher Education Emergency Relief Fund for institutions of higher education to directly support students facing urgent needs related to coronavirus and to support colleges and universities as they cope with the immediate effects of coronavirus and school closures. From this amount, just over \$12.5 billion will be available to all institutions of higher education based on the proportion of Pell and non-Pell full-time-equivalent students who were not enrolled exclusively in distance education prior to the coronavirus emergency. Public colleges will receive the vast majority of funding under this formula. Over \$1 billion in additional funding is also provided to minority-serving institutions and HBCUs, many of which are public colleges and universities. Finally, \$348 million is available to the Secretary to provide grants to institutions that have the greatest unmet needs related to the coronavirus.

\$3 billion is also available in flexible formula funding to allow Governors to address the needs of their elementary and secondary schools and institutions of higher education. Public colleges can therefore be eligible for additional funding if the Governor

determines they have been most significantly impacted by the coronavirus or if the Governor deems such institution essential for carrying out emergency educational services to students, such as child care and early childhood education and social and emotional support.

STUDENT VETERANS

My school is converting to online education because of COVID-19, will I still receive my housing allowance?

Yes, with the passage of Senate Bill 3503 into law, VA will continue to make housing allowance payments to students using VA education benefits at the on campus rate, if the school converted to online education due to COVID-19.