CARES Act Student Loan Relief Guide

April 13, 2020

The Act defers student loan payments and interest; suspends involuntary collection through Sept. 30, 2020.

By Jarrod Fowler, MHA
FMA Director of Health Care Policy & Innovation

*It is well known that physicians across the United States frequently take on tremendous debt to attend medical school. **According to data from the Association of American Medical Colleges**, the class of 2018 graduated with a median debt load of $200,000 and 16 percent owed $300,000 or more. Depending on the repayment plan selected, borrowers with $200,000 in student debt may be required to make payments exceeding $3,000 per month. While such debt loads are problematic on many levels, the ill effects of such tremendous debt have been exacerbated by the COVID-19 pandemic. At this time, many physicians are witnessing their practice revenue plummet while placing their lives on the line to treat patients.*

Fortunately, the CARES Act includes some temporary relief for medical students and other student loan borrowers.

What does the CARES Act do for student loan borrowers, including medical students, residents, and physicians?

The Act defers student loan payments and interest through September 30, 2020. In addition, through September 30, involuntary collection related to student loans will be suspended.

In other words, borrowers will not be required to make payments during this time, and their loans will not accrue interest.

However, it should be noted that this relief applies only to qualified federal student loans. Private loans are not covered under the CARES Act and may not offer relief. The FMA recommends that all interested parties check with their lenders to verify that their loans qualify for this relief.

Answers to some frequently asked questions, provided by the U.S. **Department of Education**, are posted below.

Interest is being temporarily set at 0% on federal student loans. Which loans does the 0% rate apply to?

From March 13, 2020, through Sept. 30, 2020, the interest rate is 0 percent on the following types of federal student loans owned by the U.S. Department of Education (ED):

- Defaulted and nondefaulted Direct Loans
- Defaulted and nondefaulted FFEL Program loans
- Federal Perkins Loans

Please note that some FFEL Program loans are owned by commercial lenders, and some Perkins Loans are owned by the institution you attended. Currently, these loans are not eligible for this benefit.

How can I take advantage of this 0% interest period if I have Federal Family Education Loan (FFEL) Program and Federal Perkins loans not owned by ED?

While your lender or school can provide these benefits should it choose to do so, you can consolidate your FFEL Program or Federal Perkins loans not owned by ED into a Direct Consolidation Loan, which would be eligible for 0-percent interest. However, if you consolidate, after the 0-percent interest rate period ends, the interest rate on your loan may be higher than what you are currently paying. In addition, when you consolidate, any outstanding interest will capitalize, meaning that any outstanding interest is added to your principal balance. Your servicer can provide you with information about how your loan balance, interest rate, and total amount to be paid would change if you consolidated into a Direct Consolidation Loan.

Who can tell me if my loans will have their interest rate(s) temporarily reduced to 0%?

Contact your **loan servicer online** or by phone to determine if your loans are eligible. Your servicer is the entity to which you make your monthly payment. If you do not know who your servicer is or how to contact them, visit **StudentAid.gov/login** or call us at 1-800-4-FED-AID (1-800-433-3243; TTY for the deaf or hearing-impaired 1-800-730-8913) for assistance.

If my loans are owned by ED, do I need to do anything for the interest on my loans to be set at 0%?

No, ED will automatically adjust your account so that interest doesn't accrue (i.e., accumulate). The account adjustment will be effective March 13, 2020.

I understand that my loans will be placed in administrative forbearance, temporarily suspending my monthly payments. How long will the administrative forbearance last?

The administrative forbearance will last from March 13, 2020, through Sept. 30, 2020.

If I'm currently in an income-driven repayment (IDR) plan, will my suspended payments count toward IDR forgiveness?

Yes.

Will suspended payments count toward Public Service Loan Forgiveness (PSLF)?

If you have a Direct Loan, were on a qualifying repayment plan prior to the suspension, and work full-time for a qualifying employer during the suspension, then you will receive credit toward PSLF for the period of suspension as though you made on-time monthly payments.

Additional Resources

More information and **a complete list of FAQs from the U.S. Department of Education are available here.**

Information from the AMA, including information on refinancing options, **is available here**.

What's else can be done?

While these temporary measures represent a step in the right direction, student loan borrowers who deliver medical care deserve further relief. The FMA is urging Congress to provide at least $25,000 in hazard pay for physicians, residents, fellows, and early medical graduates who treat patients during the COVID-19 pandemic, and to provide at least $10,000 in loan forgiveness to residents, fellows, and medical students who receive clinical training during this crisis. Additionally, the FMA supports extending the aforementioned relief through at least 2021.