

This alert is a summary of currently available information and is subject to change as additional information becomes available.

What's Happened

- 1) On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. It includes several provisions which impact federal student loan borrowers. We will deliver further updates as the Department of Education continues to provide further explanation to help borrowers, servicers and employers better understand implications of the CARES Act.
- 2) Section 3513 of the CARES Act addresses Temporary Relief for Federal Student Loan Borrowers:
 - a) Suspension of Federal loan payments
 - b) Suspension of involuntary collection of loans
 - c) Ability for employers to provide tax-free student loan assistance

What You Need to Know

- **Federal Loan Payment Suspension:** Effective through September 30, 2020
 - All payments on federally held student loans (not commercially held FFELP or private student loans) are suspended through September 30. This is an extension of the 60-day emergency forbearance which had previously been announced.
 - During the suspension period, interest shall not accrue on federally held loans. No action is needed for the interest rate to be applied to your loans.
 - For purposes of federal loan forgiveness and loan rehabilitation programs, payments will be treated as if they were made for each month during the suspension period. For borrowers pursuing a forgiveness program such as Public Service Loan Forgiveness, this change can provide **significant financial benefit**.
 - Suspended payments must be reported to the credit bureaus as if they were made, thus ensuring the borrower remains in good standing.
 - Automatic payments set up through a bank must be removed by the borrower. Automatic payments set up through the loan servicer will be automatically suspended.
 - The DoE has authorized an automatic suspension of payments for any borrower more than 31 days delinquent as of March 13, 2020, or who becomes more than 31 days delinquent.
 - The Secretary of Education is given a timeline of 15 days to notify borrowers.
- **Suspension of Involuntary Collection of Loans:** Effective through September 30, 2020
 - If the borrower's federal student loan(s) are currently past due and reaching default and/or garnishment, active collection during this time period will be suspended.
 - If federal student loan(s) are presently in default and/or garnishment, the borrower should contact the collection agency to determine how repayment will be affected.

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- **Tax-free Student Loan Payment Support:** Effective from March 27 through December 31, 2020
 - The CARES Act expands tax code Section 127 to allow employers to reimburse employees up to \$5,250 for most student loan payments, excludible from taxable income.
 - This is a combined limit, meaning employers who offer tuition reimbursement and student loan repayment programs have a cap of tax-free support at \$5,250 per employee. The \$5,250 limit for loan-repayment assistance would be reduced by any other educational assistance payments, e.g., tuition reimbursement, employees receive under Section 127.
 - The payments must be for a student loan incurred for the education of the employee and not dependents.
 - The rules for educational assistance programs under Section 127 will apply. For example, employers must establish a written policy describing the benefit and communicate the terms of this policy to all eligible employees
 - Employer contributions toward student loans must be made by January 1, 2021 for the payments to be tax exempt. Employer payments made either before enactment of the CARES Act or after January 1, 2021, will be counted as taxable income for the employee.

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