

A Long Overdue Break for Student Loan Borrowers

When President Trump signed the 2 trillion dollar stimulus bill on March 27, 2020, it contained a well-deserved six month break for struggling student loan borrowers. The provision authorizes the suspension of all federally-backed student loan – not private loans - payments for the next 6 months, until September 30. Equally important, the bill states that loan interest “shall not accrue” during the suspension period.

“Allowing borrowers to delay loan payments is like a band-aid on a deep wound, the underlying situation remains unresolved.” Andrew Housser, co-CEO of Freedom Financial Network

What you need to know about the implementation over the next 15 days...

- Your lender should notify you within 15 days about suspension
- The suspension should go into effect automatically; if you’re on automatic payment, the April payment will not be debited from your account
- The DOE will immediately stop collecting on defaulted student loans for six months

Will the suspension impact my enrollment in Public Student Loan Forgiveness (PSLF)? NO!

- During the six month suspension of payments, you will receive a full six months of credit towards PSLF!
- PSLF payment should be front & center on your October calendar. Don’t depend on your servicer and verify that your loan payment is on automatic again beginning in October.
- Remember to recertify your annual payment in September!

Will the suspension adversely impact my enrollment in an income-driven repayment plan?

- If you’re enrolled in an IDR, you will also receive a full six months of credit toward loan forgiveness.

Additional key points about the 6 month break on student loan payments:

- Again, no reprieve provided for private loan borrowers
- Your FICO score will not be negatively impacted
- Beginning on August 1, lenders must begin to send you notices about when your loan payments will start up again
- If you’re in default, you will be credited with six months of payments; and it only takes 9 payments to exit default!
- Consider establishing an “emergency fund” or paying down credit card debt with the extra cash

If you have questions about the stimulus plan and the suspension of your student loans, please feel free to contact me: odysseus7@comcast.net

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