

Government Waived Federal Student Loan Interest

The current state of emergency throughout the country has led to many new initiatives for economic support in a short period of time. For those who may be unexpectedly out of work, student loan payments can seem overwhelming. Thankfully, the government has passed protective measures to provide some relief to those repaying federal student loans by eliminating interest on loan payments for 60 days.

On March 25, 2020 the Senate passed a bill that extends the initial interest waiver to six months (through the end of September) of 0% interest on federal student loans and six months of eligible forbearance. Secretary of Education Betsy DeVos has directed all loan servicers to grant administrative forbearance to any borrower who requests it. While this seems to be great news for many who are struggling during this time, many still have questions about what exactly these new measures mean for them.

Which student loans qualify for waived interest?

Interest will be waived on “student loans held by federal government agencies.” This includes all federal student loans, such as Direct Parent, Graduate PLUS, Direct Consolidation and Direct Stafford loans (both subsidized and unsubsidized). It *excludes* private student loans (even those issued by state lending authorities) and FFEL and Perkins loans, which were administered by the Federal Student Aid Office but are not owned by the federal government. If you took out a federal loan since 2010, your debt is in the Direct Loan program and qualifies. If you aren’t sure if your loan will qualify, login to studentaid.gov to check for your lender (if the lender is listed as Dept of Education, the loan qualifies).

When will the waiver begin?

DeVos ordered loan servicers to retroactively stop assessing interest on federal student loans starting March 13, 2020, when the waiver was initially announced. These loans held by federal loan servicers will have a 0% interest rate for the next six months.

How does the waiver work?

There is no application to get relief. The waiver is automatically applied to outstanding loans owned by the federal government. Payments are not waived for most borrowers, but borrowers with federally held loans have the ability to request “administrative forbearance” for six months.

Borrowers must contact the student loan servicer to request forbearance if they cannot continue to make payments.

How does this affect payments?

The payment amount will not change during the interest-waiver period. Instead, the entire amount will be applied towards principal, so you will be paying off your debt more quickly than normal and shortening the term of your loan. Borrowers in income-based repayment programs will see their balances stop growing since their payments will be applied to principal. Borrowers with unpaid interest from before March 13 will see payments go towards that interest before the additional principal amounts.

How does this affect loans in deferment or forbearance?

Interest will not accrue for borrowers in deferment or forbearance either, as long as the waiver is effective. Federal loan servicers have also been instructed to grant forbearance to anyone who requests it, meaning if borrowers cannot continue to make payments at this time, they can temporarily stop payments without worrying about interest accruing. However, borrowers who are aiming to get loan forgiveness through the Public Service Loan Forgiveness program should not put their loans on forbearance if they can avoid it. This program erases the remaining balance on federal Direct loans after borrowers make 120 qualifying monthly payments while working for the government or a qualifying nonprofit, so requesting forbearance would delay that process, as those months do not count towards the 120 payments.

Is there any assistance for private student loans?

Many private lenders have some type of temporary relief for borrowers experiencing financial hardship, but the policies are not as generous as the federal government waiver. If you are having trouble, it is worth it to make a call to your lender to ask about flexibility that may be available to you.

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