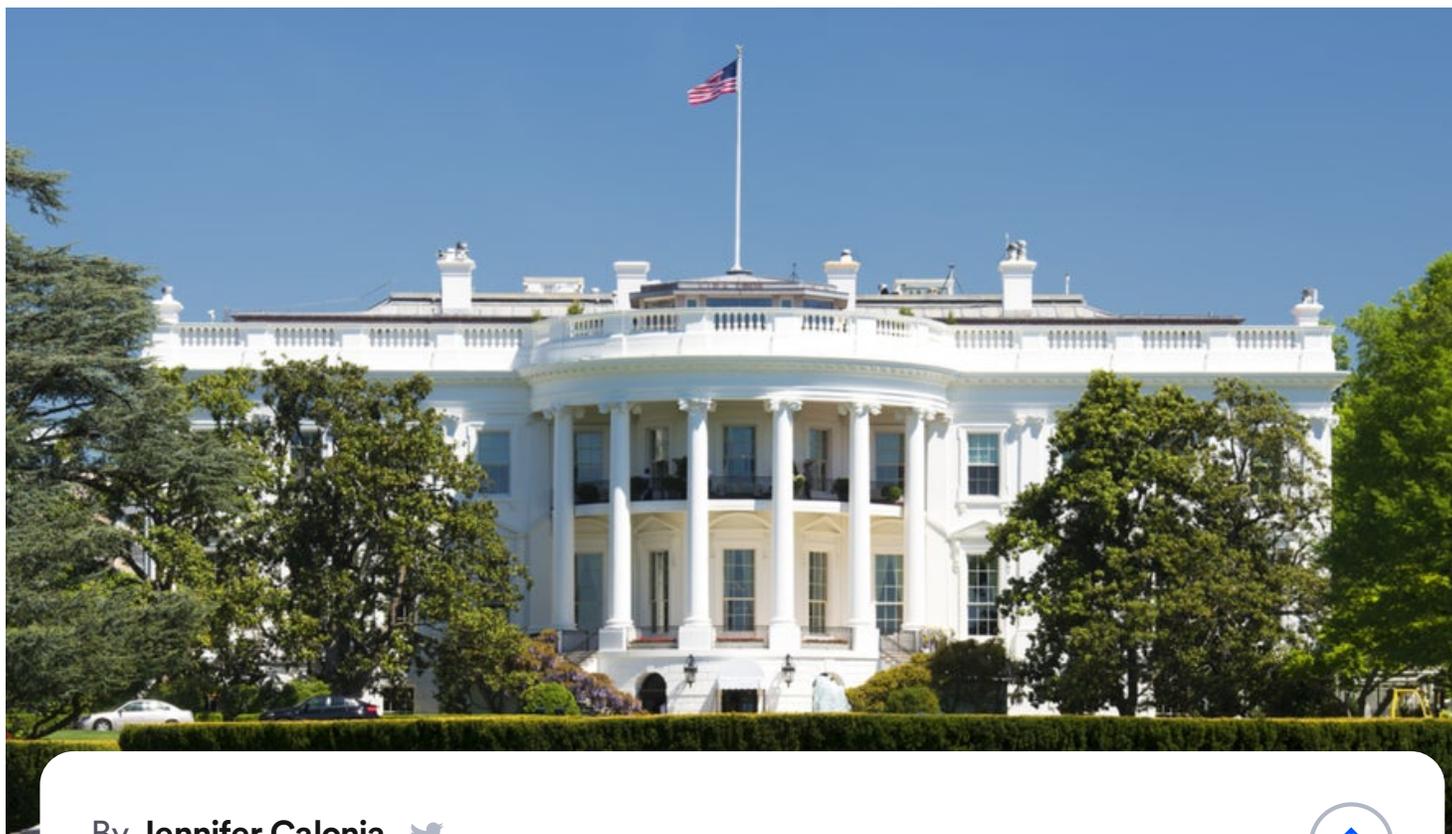


Trump's executive orders extend student loan relief, with some exceptions



By **Jennifer Calonia** 

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n Aug. 8, 2020, President Trump issued four administrative actions — one executive order and three memorandums — in response to the ongoing

O hardships that Americans are facing during the coronavirus pandemic. One of the three memos extends student loan payment deferment through the end of 2020.

This [latest student loan payment relief memorandum](#), however, is not entirely the same as the aid under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Here's what you need to know.

Key takeaways: What we know so far about the executive orders

- Payments for federal student loans are deferred through Dec. 31, 2020.
- Federal borrowers won't have to pay interest during the extended deferment period.
- Private student loan borrowers still won't receive federal protections.
- Payments that are deferred during this period likely won't count toward loan forgiveness.
- Federal loan payments are expected to restart on Jan. 1, 2021.

The memo is not an extension of the CARES Act

Some details of the memorandum include similar actions from the CARES Act, but there are also key differences.

The CARES Act, which was signed into law March 27, 2020, automatically suspends federal student loan payments through Sept. 30, 2020. It also states that, during this period, interest rate charges are set to 0 percent APR and won't accrue on student loans owned by the U.S. Department of Education.

Borrowers who are pursuing [federal loan forgiveness programs](#) still receive credit during the suspension period under the CARES Act. To have paused payments credited toward their forgiveness payment count, borrowers must continue to meet other qualification requirements.

The latest memo issued by President Trump provides extended loan payment relief for federally owned student loans through Dec. 31, 2020, and waives interest charges during this time. However, there's currently no language in the memorandum addressing whether borrowers working toward student loan forgiveness will still receive credit.

Whether the president has the legal authority to suspend interest on student loans without Congressional approval is still unclear.

How the president's executive orders help federal student loan borrowers

The original federal student loan protections through the CARES Act are set to end on Sept. 30, so this extension gives borrowers with government-owned loans an extra three months of relief from making payments.

The U.S. unemployment rate is currently at 10.2 percent, according to the [U.S. Bureau of Labor Statistics](#). Borrowers who've lost their jobs or experienced a reduction in pay due to COVID-19 can redirect funds that would've been used for federal student loan payments toward other essential needs, like housing and groceries.

The pause on interest charges during the 2020 suspension also could reduce the overall amount of student debt that borrowers will have to repay, especially if borrowers choose to continue making payments on their principal during the interest suspension.

Not all borrowers will benefit

Although the extension gives some borrowers more slack on their student debt in the short term, not all student loan borrowers benefit from the memo.

Borrowers pursuing federal loan forgiveness

Students who were on track with meeting the minimum repayment count requirements under the CARES Act may not have the same benefit after Sept. 30.

“This is an economic hardship deferment,” says Travis Hornsby, CFA and founder of Student Loan Planner, a student debt resource. “[Economic hardship deferment] doesn’t count toward PSLF and other forgiveness programs.”

This means that deferred payments for October, November and December won’t count toward the 120 payment requirement under Public Service Loan Forgiveness. For borrowers who want to qualify for student loan forgiveness, Hornsby says that “starting September 30, you might need to cancel your deferment to continue credit in the program.”

Borrowers with private student loans

Borrowers with private student loans miss out on federal protections, too.

Although many private student loan lenders are offering temporary hardship relief options on an individual basis due to the effects of the pandemic, they aren’t obligated by law to offer these benefits.

“Private loans are the primary struggle for people right now, because federal loans have been suspended for a while,” says Hornsby.

If borrowers need their payments paused, Hornsby suggests contacting their

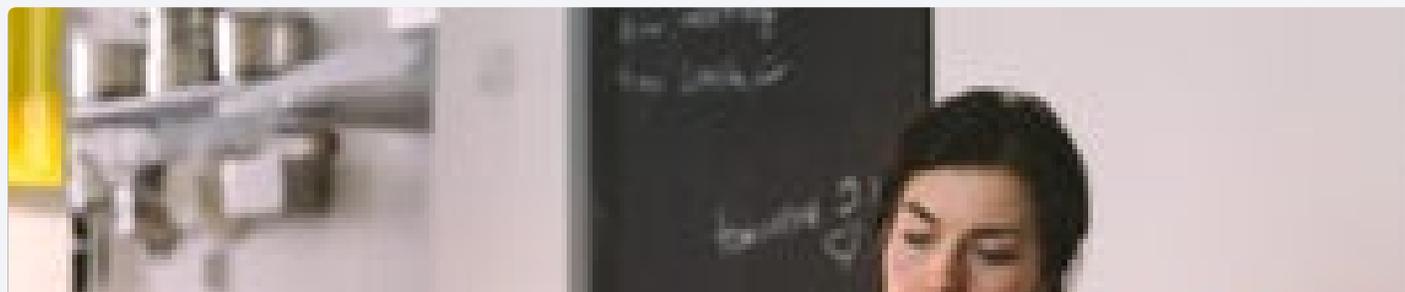
servicer for a 90-day payment suspension. The type and duration of relief options is entirely up to the individual lender, and some private lenders may be more generous with deferment or forbearance than others.

If you're having trouble keeping up with payments, another option worth exploring is [refinancing your student loans](#). This may be particularly attractive if you're currently locked into a high fixed interest rate; current student loan interest rates are at record lows, so refinancing could save you money if you're unable to take advantage of private or federal relief options.

Learn more:

- [What to do with your private student loans during the coronavirus crisis](#)
- [Here's what's in Trump's executive orders for coronavirus relief](#)
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