

## **Senate Democrats' Proposal To Aid Federal Student Loan Borrowers During Coronavirus Crisis**

**Making payments on behalf of federal student loan borrowers.** The last economic crisis hit student loan borrowers particularly hard, many of whom never fully recovered financially. To provide immediate relief to federal student loan borrowers, we propose that Congress authorize the U.S. Department of Education (“Department”) to make month student loan payments on behalf of borrowers.

**Summary of Proposal: The Department will make payments equivalent to the amount due for all federal student loan borrowers (including Direct Loans and Federal Family Education Loans (FFEL)) duration of the national emergency, or public health emergency, declarations.** Garnishment of wages, tax refunds, and Social Security benefits will also stop, and all interest capitalization (including from interest accrued prior to the President’s March 13th announcement) will cease. The proposal will also codify the President’s waiver of interest on federal student loans held by the Department, and extend this waiver to FFEL loans.

This suspension of payments will be a new policy distinct from “deferment” and “forbearance,” which are opt-in procedures that do not count toward student loan forgiveness under income-driven repayment (IDR) or Public Service Loan Forgiveness (PSLF). During the period of suspending payments, borrowers will receive credit toward forgiveness and loan rehabilitation for payments made by the Department on their behalf. All payments made by the Department will be tax-free for borrowers.

The Secretary will be directed to send monthly notices to all borrowers to allow them to opt-out of the suspension and payment contribution and to notify them that the program is temporary and will end at some point when the national emergency has ceased. At the termination of this program, the Department will institute a 3-month “grace period” during which missed payments will not result in fees or penalties, including negative credit reporting. Furthermore, no more than 90 days after the conclusion of the national emergency, the Department shall apply additional payments to the balance due to ensure that each federal student loan borrower received a minimum of \$10,000 in student loan relief over the course of the national emergency.