

# Coronavirus Stimulus Package (CARES Act)

## The impact to employees with student loans

During the pandemic, your employees may be worried about keeping up with their student loans and unsure how the recently announced changes included in the CARES Act affect the repayment of their Federal student loan debt. The CARES Act was signed into law 03/27/2020. Below are details specific to student loan debt as contained in the stimulus package.

### What happened?

The Coronavirus Stimulus plan (CARES Act) has two important sections that specifically address changes to your employees repayment of their Federal Student Loan debt:

- **Section 2206.** Allows employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021.  
(Click Link) [SHRM Analysis CARES Act - Employer Provision](#)
- **Section 3513.** Temporary Relief for Federal Student Loan Borrowers Requires the Secretary to defer student loan payments, principal, and interest for 6 months, through September 30, 2020, without penalty to the borrower for all federally owned loans. This provides relief for over 95 percent of student loan borrowers.

**Under Section 3513** – borrowers will be allowed to put their student loan payments on-hold for the next 6 months and no interest will accrue during this period on the outstanding loan balance(s). This legislation is specific to Federal student loan debt held by the US Dept of Education and therefore has no effect on student debt held by private lenders. During this period, for each month a loan payment was due and not made the borrower of the loan, the borrower will be given credit for purposes of any loan forgiveness program or loan rehabilitation program.

All reporting to Consumer Reporting Agencies during this time will reflect that the loan borrower had continued to make their Minimum Monthly Payment due. Also, all Involuntary Collection of delinquent loans, including wage garnishment, will be put on hold during this period.

**Under Section 2206** – all employer provided payments to an employee's student loan debt will be made on a tax-free basis to that employee, provided that employee doesn't receive in excess of \$5,250 in a single year including any tuition reimbursement benefit they may receive. This provision is essentially enacting H.R.1043/S.460 – Employer Participation in Repayment Act – that has gained significant bi-partisan support in both the House and Senate over the past year.

### What does that mean?

- ✓ For Americans struggling to make payments against their student loan debt during this crisis, Section 3513 provides significant relief for those individuals and their families by removing that burden for the next 180 days, while at the same time maintain those individuals credit ratings and loan forgiveness options
- ✓ Section 2206 removes a major barrier for employers who have been planning to offer a student loan repayment benefit once the IRS tax code is changed to treat those employer contributions in an identical pre-tax manner as retirement contributions and tuition reimbursement benefits. While the Stimulus Plan enacts a pre-tax treatment through the end of this year (12/31/2020), we do still expect Congress to permanently enact the IRS tax code change through passage of H.R.1043/S.460 later in 2020.

### What actions should be taken?

The Stimulus Plan provides a clear and compelling set of benefits to student loan borrowers and their employers. However, there are important considerations for each individual borrower to assess, those include:

1. If affordable, should a borrower continue to make payments against their Federal Student Loan debt during this period?
2. If a borrower's financial situation has changed dramatically as a result of the Coronavirus crisis, should they consider changing the student loan repayment plan to help ease the financial burden once payments are set to return?
3. If a borrower's Federal loans are not eligible under Section 3513, are there loan consolidation alternatives that the borrower should evaluate?
4. If your employee is eligible for loan forgiveness (e.g. PSLF, Teacher Loan Forgiveness, etc.) should they continue to make payments given the implications of Section 3513?

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For the most updated information regarding these and other coronavirus related changes, we recommend sharing the Department of Education website with your employees:

<https://studentaid.gov/announcements-events/coronavirus>.

Additionally, the Federal Consumer Protection Bureau provides some free resources for student loan borrowers. Our solution goes above and beyond with personalized content based on linked loan data, individual student loan coaching, decision support tools, and the option for employers to provide student loan assistance to best compete for high demand talent. When the time is right, we'll be ready to share why so many employers have partnered with Tuition.io.

We hope this is helpful information for you and your employees in a financially stressful time for many.

Best wishes and health to you, your family, friends and associates.

### Your tuition.io Team



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