



State of Rhode Island and Providence Plantations

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Attorney General Guidance to Rhode Island Student Loan Borrowers

AG 2020-04

TO: Rhode Island Student Loan Borrowers

FROM: Peter F. Neronha, Attorney General *PN*

DATE: May 19, 2020

**SUBJECT: Student Loan Borrower Relief During the COVID-19 Pandemic:
The CARES Act and Other Assistance**

More than 130,000 Rhode Islanders owe more than \$4.5 billion in student loan debt. In recent years many student loan borrowers have reported difficult and concerning experiences with the loan servicing companies that are hired to help borrowers pay off their loans. The COVID-19 pandemic has only compounded these challenges for many Rhode Islanders who were already struggling to keep up with their loan payments and navigate the complicated repayment process.

In 2019, Rhode Island enacted the Student Loan Bill of Rights, one of the strongest laws of its kind in the nation, to better protect borrowers and ensure that they are treated fairly by loan servicers.¹ Under the new law, borrowers have the right to accurate information about their loans and their progress towards repayment, as well as information about repayment programs and their eligibility for them. Borrowers also have the right to have their loan payments applied to their accounts in the ways that most benefit them and to have their payment histories accurately reported to credit agencies. If a servicer deceives, misleads, or defrauds a borrower, the borrower may have the right to sue the servicer.

These protections are more important than ever as many borrowers face unforeseen economic difficulties. The federal government has also taken steps to address student debt issues stemming from the COVID-19 crisis. On March 27, 2020, the Coronavirus Aid Relief and Economic Security Act (the "CARES Act") was passed by Congress and signed into law by the President. The CARES Act provided federal student loan borrowers with certain forms of relief and voluntary actions by some private loan servicers may also assist borrowers.

The Attorney General issues the following guidance concerning the CARES Act relief for Rhode Island borrowers and voluntary action by private loan servicers. For assistance, student loan borrowers are encouraged to contact the Attorney General's Consumer Protection Unit by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

¹ R.I. Gen. Laws §§ 19-33-1 – 19-33-16

FEDERALLY-HELD STUDENT LOANS AND THE CARES ACT

Direct Loans and FFEL Loans

The Coronavirus Aid Relief and Economic Security Act (“the CARES Act”) applies to borrowers of most federal student loans that are held by the federal government. This includes all Direct Loans and those Federal Family Education Loan (FFEL) loans that are held by the federal government.²

The CARES Act provides the following relief to eligible student loan borrowers:

- **A suspension of all student loan payments** due from March 13, 2020, through September 30, 2020.³ The Department of Education has indicated that any auto-debit payments processed between March 13, 2020, and Sept. 30, 2020, or voluntary payments made during this period, can be refunded to you. Contact your loan servicer to request that your payment be refunded.
- For the same six-month period, **all interest is waived**.⁴
- For those enrolled in a loan forgiveness program or a loan rehabilitation program, each month of loan payment suspension **may be counted as a qualifying payment**. Even though a borrower’s loan payment is suspended, it will be counted as if it were paid.⁵
- **No negative credit information** will be provided to Credit Reporting Agencies during the suspension period in connection with eligible loans. Servicers are not permitted to report suspended payments as “late” or “missed” payments.⁶ If you believe that a servicer has made a negative report to a credit agency, please contact our office’s Consumer Protection Unit for assistance by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

All **collection actions are suspended** for eligible federal loans, including wage garnishment and reduction of tax refunds and other governmental benefits until September 30, 2020.⁷ If you believe that you have had your wages garnished or have had a reduction in your tax refund of government benefits during this time, please contact our office’s Consumer Protection Unit for assistance by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

Federally-Held Perkins Loans

Although Perkins Loans are not eligible for CARES Act relief, as the Act only covers Federal Direct Student Loans and FFEL Loans, the Department of Education has confirmed on its website that it will extend two important benefits to Perkins Loans held by the Federal Government: the **6-month suspension of payments** and the **waiver of interest** during that 6-month period.

² FFEL Program Loans include subsidized, unsubsidized, parent PLUS, and graduate PLUS.

³ Title III, Subsection 3513(a)

⁴ Title III, Subsection 3513(b)

⁵ Title III, Subsection 3513(c)

⁶ Title III, Subsection 3513(d)

⁷ Title III, Subsection 3513(e)

Each student loan borrower eligible for relief under the Act should have received notice of eligibility and an explanation of benefits from their loan servicer by April 11, 2020.⁸ This notice may have been sent by e-mail or regular mail. Call your servicer to confirm which of your loans are covered by the CARES Act and to ask what relief options are available for loans that are not covered. In addition to your servicer you can also contact the Department of Education at 1-800-4-FED-AID or 1-800-999-8219.

NON-FEDERAL STUDENT LOANS

While the CARES Act does not provide relief for non-federal loans, many holders and servicer are providing certain relief on a voluntary basis, pursuant to negotiated agreements, or upon the request of the borrower. The below provides an overview of the types of relief borrowers have been reporting based on loan type. However, the best way to find out what benefits are available to you for non-federal loans is to reach out to your servicer. We recommend that you document any such conversation and maintain it for your records.

Private Loans and Commercial FFEL Loans

The CARES Act does not provide relief to private student loans or Federal Family Education Loan (FFEL) loans that are owned by commercial lenders. However, some private loan servicers have already implemented policies to provide relief for student loan borrowers. To find out the policies applicable to your loans, you should call your servicer to ask what options are available. While many servicers have already agreed to provide some additional help for borrowers, most of the relief they are providing is not automatic and **requires the borrower to opt-in** by contacting the servicer.

Some Private Student Loan Servicers have offered the following relief to student loan borrowers:

- Up to **90 days of payment forbearance** (the loan balance will still accrue interest)
- Enrollment in a **minimal income-driven repayment plan for 90 days** in lieu of forbearance
- **Waiver of late fees**
- **Temporary suspension of new and pending collection** actions for outstanding payments
- **No negative credit information reported** to Credit Reporting Agencies

Other Considerations for Borrowers with Commercial FFEL Loans

Borrowers with commercial FFEL loans **may qualify for an income-driven repayment plan**, which sets monthly loan payments based on a percentage of your discretionary income. This plan could lower payments and/or allow for enrollment in a loan forgiveness plan. Those borrowers that have seen a drastic decrease in income should consider exploring this option. If you are already enrolled in an income-driven repayment plan and your income has dropped, you have a right to apply to have your monthly payments adjusted.

⁸ Title III, Subsection 3513(g)

Further, you can qualify for CARES Act relief such as the **six months waiver of interest** afforded to Federal loans if you **consolidate** your commercial FFEL Loans into a Direct Consolidation Loan. You should consult with your servicer to determine if consolidating is in your financial best interest as it may increase your interest rate, and the outstanding interest on the loan will be capitalized and added to the principal. Contact your servicer to find out what relief is available for your FFEL loans and inquire about what the changes will mean for your interest rate, loan principal, and any loan forgiveness programs which you are enrolled.

School-Owned Perkins Loans

A school may choose to **waive interest** and **suspend loan payments** for Perkins Loans at its discretion. You can qualify for CARES Act relief such as a **six month waiver of interest** if you **consolidate** your Perkins Loan into a Direct Consolidation Loan. You should consult with your servicer to determine if consolidating is in your financial best interest as it may increase your interest rate, and the outstanding interest on the loan will be capitalized and added to the principal. Contact your servicer to find out what relief is available for your Perkins Loans and inquire about what the changes will mean for your interest rate, loan principal, and any loan forgiveness programs which you are enrolled.

Whenever you talk with your loan servicer, make sure to document any conversations you have and ask for any policies which are discussed in writing. Remember, under Rhode Island law you have a right to accurate information about your loans and your progress towards repayment, as well as information about repayment programs and your eligibility for them. Additionally, you have a right to have your loan payments applied to your account in the way that most benefits you and to have your payment history accurately reported to credit agencies. If a servicer deceives, misleads, or defrauds you, you may have the right to sue the servicer.

If you believe you have been mistreated by your servicer, you are encouraged to contact our office's Consumer Protection Unit for assistance by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

For student loan borrowers with private student loans, efforts are being undertaken, on behalf of Rhode Islanders, to secure additional benefits from these servicers. As agreements are reached, this guidance will be updated, accordingly.

Frequently Asked Questions

How do I know if my loans are eligible for relief under the CARES Act?

The CARES Act only applies to federal student loans that are held by the federal government. These include Direct Loans and Federal Family Education Loan (FFEL) loans that are held by the federal government.

Conversely, the CARES Act benefits are not available for FFEL loans that are owned by commercial lenders, Perkins loans, or private student loans. For these loans, borrowers may still be eligible for some type of relief.

Each student loan borrower eligible for relief under the Act should have received notice of eligibility and an explanation of benefits from their loan servicer by April 11, 2020. This notice may have been sent by e-mail or regular mail. Call your servicer to confirm which of your loans are covered by the CARES Act and to ask what relief options are available for loans that are not covered. In addition to your servicer you can also contact the Department of Education at 1-800-4-FED-AID or 1-800-999-8219.

What relief is available for eligible loans through the CARES Act?

The CARES Act suspends all payments on federally-held loans due from March 13, 2020, through September 30, 2020. It waives all interest on these loans during this same period of time and halts negative credit information from being provided to Credit Reporting Agencies. Lastly, it suspends federally-held loan-related collection actions including wage garnishment, tax refund reduction and government benefits for six months.

What does the CARES Act mean for my income-driven loan forgiveness program?

For those enrolled in a federal loan forgiveness program, you will receive credit for each of the suspended payments for six months, March through December, just as if you had actually made the payments yourself. In other words, you do not need to make payments during the CARES Act period to keep progressing towards forgiveness.

If I am not in a federal loan forgiveness program, how will the suspension of payments impact my loan term?

If you are not in a federal loan forgiveness program, any month in which payments are suspended will be added to the loan term. For student loan borrowers whose ability to pay is unimpacted by the COVID-19 crisis, it may be to your advantage to continue to make payments during this time.

Will I receive any benefits if my loan is not held by the Federal government or I consolidated my Federal loans with a private lender?

Many private lenders and servicers are offering benefits to their borrowers and you should check with your servicer to see if any benefits are available. We recommend that you document any

conversations you have with your servicers and request the relevant policies that you discuss in writing.

Is now a good time for me to consolidate my FFEL or School-Owned Perkins Loans?

Maybe. Now may be a good time to consolidate these loans, as it might qualify you for waiver of interest for six months. However, this consolidation could impact your interest-rate, loan principal, or any loan-forgiveness programs in which you are enrolled. If you are considering consolidating into a Direct Consolidation Loan, you should speak with your servicers for more information and ask about how your loans will be impacted. For information on your rights under Rhode Island Law, see above guidance.

When should I reach out to your Office and when should I contact my Servicer?

You can always call the Attorney General's Consumer Protection Unit, to assist you in understanding the student loan benefits described here, or if you believe your rights under the Student Loan Bill of Rights have been violated. To find out what kinds of loans you have and what forms of relief are available to you, under the CARES Act or otherwise, you should contact your servicer. You should also contact your servicer if you are considering consolidation to understand what the changes will mean for your interest rate, loan principal, and any loan forgiveness programs which you are enrolled. **Make sure to document any conversations you have with your servicer and ask for any policies which are discussed in writing.**

If you believe that your servicer provided you with incomplete or inaccurate information, or you believe that your servicer is denying you the relief you are entitled to as laid out in our guidance, you may submit a complaint to our Office at <http://www.riag.ri.gov/ConsumerProtection/About.php#> or contact our office's Consumer Protection Unit for assistance by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

What should I ask my Servicer to better understand my loan situation?

You can ask your servicer to tell you which type of loan or loans you have and whether these loans are covered by the relief provided in the CARES Act. You can also ask your servicer to provide you with your loan repayment history and/or your progress toward any loan forgiveness program you are enrolled. If you are not already enrolled in a program, ask your servicer to explain your eligibility for any loan relief or repayment programs.

Whenever you talk with your loan servicer, make sure to document any conversations you have and ask for any policies which are discussed in writing.

Remember, under Rhode Island law you have a right to accurate information about your loans and your progress towards repayment, as well as information about repayment programs and your eligibility for them. Additionally, you have a right to have your loan payments applied to your account in the way that most benefits you and to have your payment history accurately reported to credit

agencies. If a servicer deceives, misleads, or defrauds you, you may have the right to sue the servicer.

If you believe you have been mistreated by your servicer, you are encouraged to contact our office's Consumer Protection Unit for assistance by calling 401-274-4400 or emailing studentloans@riag.ri.gov.

What are the different kinds of loans and how do I tell which kind I have?

There are several common types of student loans: Direct Loans, FFEL Loans, Perkins Loans and Private Loans. Some loans are referred to as Stafford Loans and this term is used for loans administered by the federal government and could be Direct Loans or FFEL Loans. You may be able to determine the type of loan you hold based on the terms of the loan or the servicer. The best place to identify your loan type is your loan document.

The first type of loan where the federal government is the lender are Direct Loans, which have replaced FFEL Loans completely. These are funded by the U.S. Treasury and administered by the Department of Education. Direct Loans include Direct Subsidized, Direct Unsubsidized, Direct PLUS and Direct Consolidation Loans. If you have taken out a federal loan after 2009, it is most likely a Direct Loan. Additionally, if you have consolidated a Perkins Loan or a FFEL Loan, you most likely have a Direct Consolidation Loan.

The second type is Federal Family Education Loans, or "FFEL," where private lenders made federal loans to students, which were guaranteed by the federal government. FFEL can be federally-held or non-federally-held and take similar forms to Direct Loans: Subsidized, Unsubsidized, FFEL PLUS loans, and FFEL Consolidation loans. These loans began in 1966 as part of the Higher Education Act and were discontinued in 2009 by the federal government. As a result of the 2008 economic downturn, the federal government purchased a number of these loans from the private lenders. If you don't know whether your FFEL loans are owned by the government or a private lender, you should check your loan document or call your servicer.

Other common federal loans include Perkins Loans, which were available for students with exceptional financial need and are typically under a 10-year repayment plan set at a 5% interest rate. Perkins loans can be federally-held or non-federally-held (school-owned). The federal government subsidized the interest on the loans and the loan was funded by the schools. The loan was granted to the student through each school's financial aid office and either paid directly to the student or applied directly towards school expenses. These loans were discontinued in 2017, with final disbursements made in 2018.

Finally, there are privately issued student loans from a bank or other lender. Many Rhode Islanders have private student loans from lenders such as Citizen's Bank and Rhode Island Student Loan Authority ("RISLA"). Additionally, some borrowers may have consolidated student loans from the federal government with entities such as SO-FI.