PGPresents, LLC
Independent Student Loan Consulting

Repayment Strategies and the CARES Act

Provided as a Courtesy for the American Podiatric Medical Association

---

The Coronavirus Aid, Relief, and Economic Securities (CARES) Act was enacted in spring 2020 in response to financial challenges many student loan borrowers were facing and continue to face due to the current COVID-19 pandemic.

The period of time covered by the CARES Act has been extended, based on President Biden's executive order signed his first week in office. The provisions in the CARES Act are now in effect from March 13, 2020 through at least September 30, 2021, and include the following:

1. Zero percent interest rate on all federally-owned loans (includes Direct Loans and any older FFEL loans bought by the federal government), regardless of the borrower's repayment status (grace, deferment, active repayment). With a 0% interest rate, no interest accrues during this time period. This includes any federally-owned loans from college and post-bac programs.
2. Suspension of payments on these loans over the same period for borrowers already in active repayment. Borrowers may choose to continue paying on their loans, but payments will not be applied to the principal balance until all outstanding interest is paid.
3. Suspension of payments during this time counts as qualifying payments for Public Service Loan Forgiveness (PSLF), assuming the borrower meets other eligibility requirements for PSLF.

There are at least three approaches to consider taking with your loans while these provisions are in place:

First, borrowers with an aggressive strategy may want to make voluntary payments during this time.

- Target your voluntary payments against your highest interest rate loan, even though no interest is accruing at present, as this should help reduce overall repayment costs, or perhaps target smaller balance loans just to get them repaid sooner.
- However, remember these voluntary payments will not pay down your principal balance until all outstanding interest has been paid, regardless of what you may have heard about this.

Second, borrowers trying to qualify for PSLF should consider not making voluntary payments during this time, as doing so would only serve to reduce the potential forgiveness amount. Please see our statement on PSLF at www.PGPresents.com, as this program is in a lot better shape than you may have heard.

Third, borrowers with cash flow challenges, including outstanding consumer debt or private loans, might want to use this period of suspended payments to pay down these or other more costly financial obligations, set aside funds for emergencies, or use for other financial considerations, since your loan balance on federally-owned loans is not increasing during the period of time covered by the CARES Act.

Borrowers should reevaluate their repayment strategy at least once a year. The CARES Act provides a perfect opportunity to do just that. Please watch our home page www.PGPresents.com for updates.

Stay safe.

Paul S. Garrard
Founder and President
PGPresents, LLC, Independent Student Loan Consulting

February 2021