



January 11, 2021

Transmitted via Email

Dear Guaranty Agency Director:

The purpose of this letter is to provide clarifying information and guidance related to COVID-19 that applies to Guaranty Agencies (GAs) participating in the Federal Family Education Loan Program (FFELP).

The following guidance and laws are discussed in this letter:

- The April 3, 2020 Electronic Announcement posted to the Information for Financial Aid Professionals (IFAP) website (“April 3rd EA”)¹;
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. No. 116-136)²; and
- The Presidential Memorandum of August 8, 2020 extending student loan repayment flexibilities provided under the CARES Act (“August 8th Presidential Memorandum”).³
- The December 4, 2020 announcement by Secretary DeVos that the student loan repayment flexibilities provided under the CARES Act is further extended until January 31, 2021.⁴

The information in this letter only applies to FFELP loans described below:

- Non-defaulted FFELP loans that are held by a FFEL lender; and
- Defaulted FFELP loans on which a Guaranty Agency (GA) has paid a FFELP lender’s claim, but which have not been assigned to the U.S. Department of Education (ED) for collection (loans that are “managed by a GA”).

All references to Guaranty Agencies and FFELP lenders in this letter also include any contractors or agency of a GA or FFELP lender, such as a Private Collection Agency (PCA) or a servicer. As stated in the April 3rd EA, FFELP lenders and GAs may provide the same zero-percent interest rate and cessation of payments benefits to the loans they hold on a *voluntary* basis.

¹ See: ifap.ed.gov/electronic-announcements/040320UPDATEDGuidanceInterruptStudyRelCOVID19.

² See: govinfo.gov/app/details/PLAW-116publ136/.

³ See: whitehouse.gov/presidential-actions/memorandum-continued-student-loan-payment-relief-covid-19-pandemic/ and ed.gov/news/press-releases/secretary-devos-fully-implements-president-trumps-presidential-memorandum-extending-student-loan-relief-borrowers-through-end-year.

⁴ See: ed.gov/news/press-releases/secretary-devos-extends-student-loan-forbearance-period-through-january-31-2021-response-covid-19-national-emergency

Currently, during the period from March 13, 2020 through January 31, 2021, FFELP lenders and GAs may offer the following types of relief to borrowers of non-defaulted FFELP loans or of defaulted loans that have not been assigned to ED.

Suspension of Collections on Defaulted Loans

GAs may, but are not required to:

1. Suspend Treasury Offset Program (TOP) and Administrative Wage Garnishment (AWG) actions for borrowers in the GA's portfolio.
2. Suspend placement of new borrower accounts with PCAs.
3. Initiate a refund of any TOP or AWG payment, or any voluntary payment received either automatically or upon request of the borrower, except for voluntary payments made pursuant to a rehabilitation agreement or a payment agreement to reestablish eligibility.
4. Cease outbound calls to borrowers who are not already working toward voluntary resolution of their debt.

Note: GAs must continue making outbound calls to borrowers who are working toward voluntary resolution of their debt and continue responding to inbound communications from borrowers (calls, correspondence, etc.). GAs may not count towards a rehabilitation or a reestablishment of eligibility any payment that was due or otherwise due, but that was not made for any reason.

Suspension of Collections on Non-Defaulted Loans

FFELP lenders may, but are not required to:

1. Offer a borrower a discretionary forbearance, consistent with existing regulatory requirements.
2. Grant an administrative forbearance under 34 C.F.R. § 682.211, consistent with the guidance in Dear Colleague Letter GEN-17-08, which provides guidance for helping Title IV participants affected by a major disaster.⁵

Note: FFELP lenders may not count any period of forbearance as a payment made towards loan forgiveness under the Income-Based Repayment (IBR) plan.

Interest Rates

GAs and FFELP lenders may, but are not required to, temporarily reduce interest rates to 0% regardless of loan type, loan status, the date the loan was received by the borrower, or any other factor; however, foregone interest cannot be reimbursed by ED.

Note: FFELP lenders that voluntarily reduce interest rates to 0% must continue to report those loans for special allowance at the statutory interest rate when submitting their Lender Reporting System (LaRS) quarterly billing. Additionally, for any borrower requesting to consolidate, the FFELP lender or GA must certify the rate that they would

⁵ See: ifap.ed.gov/dear-colleague-letters/08-29-2017-gen-17-08-subject-guidance-helping-title-iv-participants-affected and ifap.ed.gov/sites/default/files/attachments/dpclatters/GEN1708Attach.docx.

have otherwise certified if they had not temporarily reduced the loan interest rate to 0% when completing the Loan Verification Certificate.

As a reminder, FFELP loans covered by this letter are not subject to the mandatory loan relief provisions of the CARES Act or to the August 8th Presidential Memorandum extending certain CARES Act benefits. FFELP lenders and GAs may voluntarily extend the relief described in the April 3rd EA, the CARES Act, and the August 8th Presidential Memorandum for FFELP loans on equal terms. To the extent that a further extension is provided by Congress or the Executive Branch, we will communicate to FFEL Program participants if this guidance changes or if any new extension affects the FFEL Program.

We encourage you to take all appropriate steps to ensure the health and well-being of your staff. Should other bills related to FFELP loans be enacted into law, or as other guidance becomes available related to those loans, we will communicate further about any new or changed requirements.

Thank you in advance for your cooperation. If you have any questions, please contact me at mike.sutphin@ed.gov.

Sincerely,

Michael Sutphin

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Financial Institution Oversight Services Group
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cc: Consumer Bankers Association (CBA)
Education Finance Council (EFC)
National Council of Higher Education Resources (NCHER)
Student Loan Servicing Alliance (SLSA)