Illinois Department of Financial and Professional Regulation

Division of Financial Institutions

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Guidance to Illinois-Licensed Student Loan Servicers Regarding Federal Student Loan Interest Waivers and Administrative Forbearances and COVID-19

On March 13, 2020, the President declared a temporary interest waiver on all federal student loan payments due to the COVID-19 pandemic. On March 20, 2020, the President also announced borrowers are entitled to request postponement of payments for at least 60 days and, for borrowers 31 days behind, postponement would be automatic. On March 27, 2020, H.R. 748 (the CARES Act) was signed into law and codified additional relief for federal student loan borrowers who have loans held by the United States Department of Education. In particular, Section 3513 the law ordered the automatic suspension of interest and required monthly payments until September 30, 2020. The law also ordered that borrowers' credit reports appear as if they were making timely payments during the period payments were suspended. For borrowers pursuing Public Service Loan Forgiveness, months in which payments are suspended still count towards the number of qualifying payments. The Illinois Department of Financial and Professional Regulation, Division of Banking (the "Division") is issuing the following guidance.

The Division encourages Illinois-licensed student loan servicers to make prudent efforts to meet the financial needs of all student loan borrowers affected directly or indirectly by the COVID-19 pandemic. As this is an ever-evolving crisis, the inability for borrowers to pay on time, or even at all, may arise. In addition, the Division reiterates the importance of Sections 5-5(a) and 5-5(b) of the Illinois Student Loan Servicing Rights Act. These provisions state that servicers shall not engage in any unfair or deceptive practices, and they must not misapply payments made by a borrower. Furthermore, the Division reminds servicers that they are obligated to lay out all available options to borrowers, including income-based repayment, deferment, forbearance, and relieving borrowers of interest. The Division urges student loan servicers to help borrowers navigate their choices regarding their loans in these new and difficult circumstances.

In addition to adhering to the credit reporting provisions set forth under the CARES Act, the Division also encourages student loan servicers to use the disaster status code in conjunction with a deferment when reporting to the consumer credit reporting agencies to minimize any negative credit reporting impact to consumers due to the COVID-19 crisis.

As borrowers' financial situations are changing rapidly during the COVID-19 pandemic, the Division expects that student loan servicers will adhere to these and all other aspects of state law and other applicable laws and help minimize the financial impact this crisis has on borrowers.