The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

This high-level summary provides an overview of the major higher education provisions in the CARES Act. The $2.2 trillion bill includes $30.9 billion in an Education Stabilization Fund, of which $14.25 billion will be allocated to higher education, and includes multiple provisions related to student aid. Some of the most notable provisions include allowing institutions to pay Federal Work-Study (FWS) recipients even if they are unable to work; pausing student loan interest and payments through September 30, 2020; and providing emergency grants to students that can be used for food, housing, course materials, technology, health care, and child care.

Emergency Aid to Institutions & Students

- Of the almost $14.25 billion allocated to higher education in the Emergency Stabilization Fund, $12.5 billion will be allocated to institutions based 75% on the enrollment of full-time equivalent (FTE) Pell Grant recipients and 25% on enrollment of FTE non-Pell Grant recipients. Students enrolled entirely online prior to the COVID-19 emergency will be excluded from this calculation. According to the most recent statistics, there are approximately 216,000 Pell Grant recipients in Pennsylvania institutions.
- An additional $1 billion will be allocated to minority-serving institutions and $350 million to the hardest hit institutions.
- 50% of the $14.25 billion in emergency funds received by institutions must go directly to students as emergency financial aid grants for expenses related to the disruption of campus services. Emergency grants to students can be used for food, housing, course materials, technology, health care, and child care.
- Institutions may use remaining emergency funds on lost revenue, technology costs to switch to distance education, faculty and staff training, and payroll.
- Emergency aid provided to students will not be counted as aid under needs analysis.

Campus-Based Aid

- The non-federal share requirements of the FWS and Federal Supplemental Educational Opportunity Grant (FSEOG) programs would be waived for the 2019-20 and 2020-21 award years when it is the institution that pays the non-federal share.
- Institutions may transfer up to 100% of FWS funds into FSEOG during this emergency.
- Institutions may use any portion of their FSEOG allocation to award emergency financial aid grants to assist students. Standard FSEOG awarding rules are waived, and institutions would determine eligibility for the new emergency grant. According to the most recent statistics, there are nearly 57,000 FSEOG recipients in Pennsylvania.
- The bill codifies the current federal flexibility allowing FWS students unable to work to continue to be paid. There are approximately 27,000 FWS students in Pennsylvania – some of whom may be impacted.

Increased Flexibility for Institutions

- The U.S. Department of Education (ED) is given the authority to exclude from subsidized loan lifetime eligibility period calculations any portions of the Direct Loan period that the student is unable to complete due to the COVID-19 outbreak.
- ED may exclude from a student's Pell Grant Lifetime Eligibility any periods that the student is unable to complete due to the COVID-19 outbreak.

- ED may to waive the return of Title IV grant or loan assistance funds for schools or students who withdrew because of the COVID-19 outbreak.
- The bill provides for loan cancellation for the portion of a Direct Loan associated with a payment period which the student did not complete due to the COVID-19 outbreak.
- Institutions may exclude from Satisfactory Academic Progress calculations any attempted credits that were not completed due to the COVID-19 outbreak.
- Institutions are given broader authority to approve student Leave of Absences.
- The bill temporarily grants Title IV-participating foreign institutions, which are currently excluded from providing distance education to U.S. students not enrolled in a study abroad program, the ability to offer distance education.

Relief for Federal Student Loan Borrowers

- The bill suspends payments and interest accrual on federal Direct Loans and Federal Family Education Loans held by ED until September 30, 2020. There are approximately 1.76 million federal student loan borrowers in Pennsylvania – some of whom may be impacted.
- The ED Secretary shall, within 15 days of enactment, notify borrowers of the actions taken in regard to these provisions, the option for them to continue making payments toward principal, and that this program of payment suspensions is temporary.
  - Beginning on August 1, 2020, the Secretary will carry out a program to provide not less than six notices by postal mail, telephone, or electronic communication to affected borrowers telling them when their payment obligations will resume and their option to enter income-driven repayment.
- The bill counts each month of suspended loan payments as if the borrower had made a payment for the purpose of income-driven repayment plan loan forgiveness or Public Service Loan Forgiveness (PSLF), as well as for loan rehabilitation purposes.
- Suspended payments are to be reported to consumer credit reporting agencies as regularly scheduled payments made by the borrower.
- Involuntary collections – such as wage garnishment, tax refund reductions, and reductions of federal benefits like Social Security benefits – would be suspended until September 30, 2020.

Additional Provisions

- TEACH Grants: ED may modify categories of “extenuating circumstances” for purposes of an inability to complete service requirements and consider any teaching service that is part-time or temporarily interrupted due to the emergency to fulfill the requirements.
- Teacher Loan Forgiveness: ED will waive the requirement that teaching service be consecutive if the teaching service is temporarily interrupted due to the emergency, and the borrower resumes teaching service and completes the qualifying five years (including any service performed before, during, or after the emergency).
- The IRS code will be amended to allow employers to provide a student loan repayment benefit to employees tax-free. An employer may contribute up to $5,250 annually toward an employee’s student loans, which will be excluded from the employee’s income. This applies to those payments made after the date of enactment and before January 1, 2021.

Sources: The Coronavirus Aid, Relief, and Economic Security Act; National Association of Student Financial Aid Administrators, Congress Strikes Deal for $2 Trillion COVID-19 Relief Package; and National College Attainment Network, What NCAN Members Need to Know About How the Government is Responding to COVID-19