

Trump to waive interest on federal student loans 'until further notice'

U.S. Treasury Secretary Steven Mnuchin. | Drew Angerer/Getty Images

President Donald Trump on Friday said that he would eliminate the interest on federal student loans "until further notice" as part of a package of emergency executive actions designed to address the economic fallout from the coronavirus pandemic.

"To help our students and their families, I've waived interest on all student loans held by federal government agencies and that will be until further notice," Trump said during a Rose Garden address where he declared a national emergency. "That's a big thing for a lot of students that are left in the middle right now. Many of those schools have been closed."

The unprecedented move will provide relief to the more than 42 million Americans who owe more than \$1.5 trillion in outstanding federal student loans.

But it did not go as far as what some Democrats had proposed, which was a suspension of monthly loan payments or loan forgiveness.

The department was considering instructing loan servicers to lower the interest rate on federal loans to zero percent, according to individuals familiar with the plan.

Under that approach, a borrower's monthly payment amount would not automatically change, though any payments the borrower did make would likely pay down a greater share of the principal balance.

Education Secretary Betsy DeVos "is proud to work with the President in taking decisive action to help students and parents during this national emergency," department spokesperson Liz Hill said in a statement.

The new policy will be implemented by the Education Department, which was scrambling on Friday to issue instructions and guidance to the companies it hires to manage the monthly payments of borrowers. A department official said that the interest waiver would be automatically applied to all borrowers, effective Friday, even though it may take some another week to fully "operationalize" the policy.

It's not clear how much money the interest waiver will save borrowers, but it could be billions of dollars, depending on how long the Trump administration keeps the policy in place. In fiscal 2019 alone, the Education Department reported that it charged more than \$100 billion in interest on all federal student loans.

Federal student loans already offer options for borrowers to defer payments under certain circumstances, including an economic hardship, though interest can continue to accrue. Trump's suspension of interest payments, combined with those existing benefits, could mean that some Americans would be able to put their student loans on hold interest-free.

Democrats and consumer advocacy groups who have long pushed for sweeping student debt relief from the federal government have said in recent days that the coronavirus pandemic has only exacerbated the need to provide assistance to Americans struggling with monthly loan payments.

Sen. Elizabeth Warren (D-Mass.) said in a [tweet](#) that Trump's action was "not enough" to help student loan borrowers. "Donald Trump & @BetsyDeVosED need to cancel student loans, not just waive interest or suspend payments," she said. "Suspending payments or interest just delays the pain."

However, Sen. Jeanne Shaheen (D-N.H.) tweeted that it was a "good step" and that "With so much uncertainty in the economy, we need to continue to look at every available means of providing relief."

Senate Democrats earlier this week [included a six-month moratorium](#) on some federal student loan payments on their list of items they'd like to see in an economic rescue legislative package. The National Consumer Law Center, which represents low-income student loan borrowers, has also called for a moratorium on student loan payments.

Earlier in the day, Treasury Secretary Steve Mnuchin said that pausing student loan payments was among the "list of 50 different items" that Trump's advisers planned to present to him to shore up the economy and financial markets due to the coronavirus pandemic.

"That'll be something we're looking at," Mnuchin said during an interview on CNBC. "We have lots of authorities," Mnuchin said, adding that on "things where we don't have authorities, we're going to work with both the House and Senate on a bipartisan basis. I can assure you the president is all about action, action, action."

Rep. Alexandria Ocasio-Cortez (D-N.Y.), who has called for sweeping student loan forgiveness, tweeted earlier in the day that she was "thankful" that the Trump administration was "taking pausing student loan payments seriously." She called it "a decisive move that will help stabilize millions of people. We should do it now. There is much more to be done, but every step counts."

The Education Department on Friday was still determining the mechanics of how to carry out Trump's announcement.

The department has decided that the policy will automatically apply to all borrowers with federal direct loans, federally held Family Federal Education Loans and federally held Perkins Loans, according to a department official. Borrowers whose loans are in income-based repayment or in forbearance will still qualify.

"This will be operationalized over the next week or so, and it will be retroactive back to today," the official said.

Borrowers could potentially seek a recalculation of their monthly payment under income-driven repayment plans or some would qualify for forbearance options, which would now be a way to put their student loans on hold interest-free.

Much of the implementation will fall to the nine companies that the Education Department hires to collect and manage the payments of federal student loan borrowers.

“Servicers and the Department have already begun discussions on how to implement this response to the current situation and we look forward to being able to provide more information to borrowers very shortly,” said Scott Buchanan, the president of the Student Loan Servicing Alliance, the trade association that represents the companies. “Servicers will be updating websites in the coming days with information as soon as it becomes available.”