

Student Loans and the CARES Act: What to Know



As student loan borrowing has skyrocketed in recent years, so has the stress associated with paying off that debt. Four in 10 millennial employees have student loans, with nearly three-quarters saying that those loans have an impact on their ability to meet other goals.¹

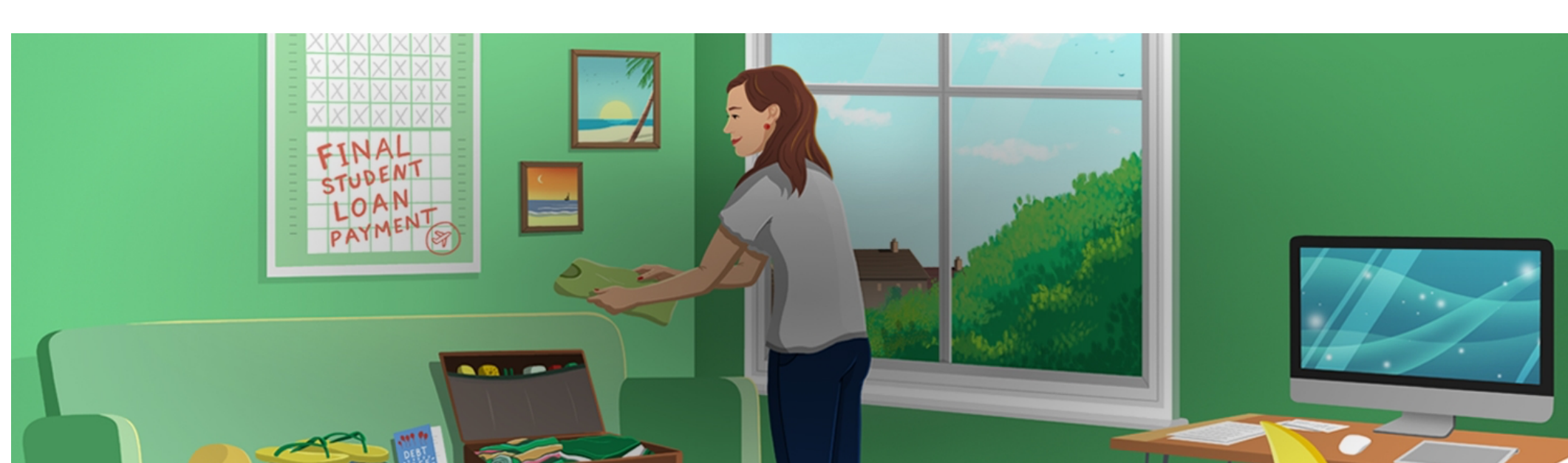
The coronavirus pandemic has compounded economic stress on student loan borrowers, with 59% reporting increased stress, anxiety, and depression caused by their student loans during the COVID-19 pandemic.²

The recently passed Coronavirus Aid, Relief and Economic Security (CARES) Act may provide some relief.

Provisions of the law range from suspended student payments on some loans to providing tax incentives for employees whose employers help with loans. In these difficult financial times, assisting employees with their loans may not be possible for many employers, but supporting your workers in understanding how the law does impact them can still be a valuable benefit.

That's important for millennial borrowers, many of whom have struggled to build wealth in an adulthood marked by financial challenges. Their economic growing pains have also impacted their parents, typically baby boomers, who may be helping their adult children manage their loan payments—even at the expense of their own retirement savings.

“When we think about student loans, we often think about a younger person, just graduating and new to the workforce,” says Kalena Griffin Costa, Head of Business Development for Financial Wellness at Morgan Stanley. “But there is a significant amount of student debt being held by those with graduate or advanced degrees, as well as by people who have funded their children's education. These groups are also impacted.”



There are several ways that you can help:

Understand the Student Loan Provisions of the CARES Act

Student loan relief is just one aspect of the CARES Act, a large piece of legislation passed in March 2020. If your employees have questions, here's the immediate impact on them:

- Most federal loans have automatically been placed into “administrative forbearance,” which means they can stop making payments, without incurring interest or penalties, until September 30, 2020. Borrowers can check to see whether their loans qualify by calling their [loan servicer](#).
- Borrowers who want to continue making payments during the forbearance period can do so. Since the interest rate on loans will remain at zero, any payments will go directly toward reducing principal.
- The CARES Act does not offer relief to borrowers with private student loans, although there are some state programs available.

Take This Opportunity to Offer More Financial Education

Even with the relief provided by the CARES Act, many of your employees likely still face challenges when it comes to student loans, particularly if they (or their children) have large private student loan balances.

They may benefit from education or resources around loan consolidation and debt repayment. That can take the form of thought leadership content, webinars or live coaching. Those employees who can take advantage of CARES Act student loan provisions may be unsure whether they should continue making payments during forbearance or put that freed up cash toward retirement or other financial goals, such as an emergency fund.

“Employers do an exceptional job with executive benefits and estate planning for folks with complex financial situations,” says Tom Conlon, Morgan Stanley Head of Retirement Sales. “It's important to also cater to those folks who are just coming into the workplace for the first time.”

If you offer financial coaching as part of a financial wellness program, directing workers to enlist the help of a coach may be helpful. Otherwise, you may want to point them to other resources, such as the [Consumer Financial Protection Bureau](#) or the [Institute for Student Loan Advice](#).

Consider Helping Employees Pay Their Loans, If You Can

Companies with the available resources can take their support for employees with student loans a step further, providing the additional benefit of student loan payments. The CARES Act allows employers to pay up to \$5,250 toward student loans on behalf of employees and the employees would not owe U.S. federal income taxes on the payments. That could make a significant dent in a borrower's total debt load, which averaged nearly \$30,000 for the Class of 2018.³

For many employers, however, even if they want to provide such a benefit, it's not financially possible in today's economic environment. Before the pandemic, just 4% of employers offered student loan repayment assistance.⁴ More cost-efficient methods of support, such as education and coaching, can still go a long way to reducing employee stress.

“When an employer is helping workers improve their financial circumstances, and offering financial wellness, it shows that they care,” says Griffin Costa. “That is powerful, it means a lot, especially at a time like this when there is so much additional stress that everyone is feeling.”

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¹ PwC “[Employee Financial Wellness Survey 2020 COVID-19 Update](#)” (Accessed May 30, 2020)

² StudentDebtCrisis.org “[New Data Shows COVID-19 and Economic Downturn Crushing Student Loan Borrowers](#).” (Accessed June 7, 2020)

³ The Institute for College Access & Success. “[Student Debt and the Class of 2018](#).” Accessed May 30, 2020

⁴ International Foundation of Employee Benefit Plans “[Education Benefits: 2019 Survey](#)” Accessed May 30, 2020

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