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FACULTY & STAFF ASSISTANCE PROGRAM

Facts about the Coronavirus Aid, Relief, and Economic Security (CARES) Act

The CARES Act was signed into law on March 27, 2020, and provides emergency relief in excess of $2 trillion for the U.S. economy targeted to individuals, small businesses, large companies, state and local governments and health care providers impacted by the COVID-19 coronavirus.

Here is a breakdown of how this legislation may benefit you:

Cash Payments

Individuals – Most individuals will receive cash payments. Individuals with adjusted gross incomes at or below $75,000 will receive a one-time payment of $1,200. Individuals with incomes exceeding $75,000 will have the payment reduced by $5 for every $100 of income that exceeds the limit. Individuals earning $99,000 or more will not receive a cash payment. An individual who filed "head of household" and earned $112,000 or less will receive a cash payment of $1,200.

Married Couples – For married couples filing jointly, those with adjusted gross incomes of $150,000 or less will receive a onetime payment of $2,400. Similar to the individual payments, married filers will have their payment phased down if their income exceeds $150,000 but is less than $198,000. Married couples making more than $198,000 will not receive a cash payment.

Minor Children – Individuals and couples that qualify for a cash payment will also receive an additional $500 per minor child in their household.

Payment Offsets – Owing back taxes or other debt to the government will not impact these payments. However, for those who owe back child support and their arrearage has been reported by child support enforcement to the Department of Treasury, their cash payments may be reduced or eliminated.

Timing – Treasury Secretary Steven Mnuchin said that check should be issued within three weeks via direct deposit (if the Treasury Department has that information) or paper checks. Paper checks will likely take longer to be issued.

Temporary Student Loan Relief

The CARES Act has several provisions that impact Direct Loans and Federal Family Education Loans (FFEL) that are currently owned by the U.S. Department of Education. Not covered by these provisions are Perkins Loans, commercially-held FFEL loans or any private student loans.

Payment Suspension – The CARES Act suspends all payments due on FFEL and Direct Loans that are currently not in default until September 30, 2020.
Interest Waiver – The CARES Act states that interest shall not accrue while the loan payments are suspended.

Collection Suspension – The CARES Act suspends all involuntary collection of defaulted government owned FFEL and Direct Loans until September 30, 2020. This covers non-judicial wage garnishments, tax offsets, and federal benefit offsets (such as seizure of Social Security benefits).

Time in Suspension Counts Towards Forgiveness or Loan Rehabilitation – Under the CARES Act, each month for which a loan payment or involuntary collection was suspended shall be treated as if the borrower made the payment for the purpose of any loan forgiveness program or loan rehabilitation program.

Credit Reporting – For credit reporting purposes, any payment that was suspended will be treated as though the borrower made the payment on time.

Borrower Notification – The CARES Act requires the Secretary of Education to notify borrowers for whom payment has been suspended and interest waived, or for whom involuntary collection has ceased, within 15 days of these changes. The notification will allow borrowers the option of making principal payments. Beginning August 1, 2020, the Secretary of Education will have to provide notice to borrowers of when payment obligations will resume.

Loan Cancellation for Current Students – For borrowers forced to withdraw from school due to the coronavirus, the CARES Act requires the Secretary of Education to cancel the borrower’s Direct Loan associated with the payment period in which they withdrew from school.

Tax Returns

The federal tax filing deadline for 2019 returns has been extended to July 15, 2020. Many states have also delayed their tax filing deadlines to fall in line with the IRS. Be sure to check with your state’s department of treasury for relevant information.

Assistance for Renters

Eviction Moratorium – The CARES Act provides 120 days of eviction relief for tenants in federally- backed housing meaning that the earliest an eviction notice could be served is July 25, 2020. Further, the notice must provide 30 days for the renter to leave the property, which is August 24, 2020. During this time, the landlord may not charge late fees, penalties or other charges for paying rent late.

During the moratorium, tenants are not relieved of their obligation to pay rent. However, being unable to pay rent will not allow the landlord to proceed with an eviction.

In addition to the CARES Act Eviction Moratorium, many local and state governments have instituted their own eviction moratoriums independent of this federal legislation. Check your city, county and state government websites for information for where you live.

Rental Housing Covered by the Eviction Moratorium – The CARES Act rental housing eviction moratorium applies to rental housing that is:

- Covered under section 41411 of the Violence Against Women Act of 1994 (34 U.S.C. 12491(a); • Covered by the rural housing voucher program under section 542 of the Housing Act of 1949 (42 U.S.C. 1490r); or
- Has a federally back mortgage or multifamily mortgage loan.

Rental Assistance – The CARES Act provided the Department of Housing and Urban Development with an additional $17.4 billion in funding for rental assistance, housing vouchers, public housing and housing for the elderly.

HUD Rental Assistance can be accessed online https://www.hud.gov/topics/rental_assistance or by contacting a housing counseling agency by calling 800.569.4287.

Assistance for Homeowners with Mortgages

Federally backed mortgage loans – FHA insured loans, VA loans, and loans from Fannie Mae and Freddie Mac have new safeguards to assist individuals experiencing financial hardship due to COVID-19. The new act requires forbearance for affected borrowers, as well as a temporarily prohibition of foreclosures and rent-default evictions.

Forbearance – The borrower can submit a request with their lender and affirm that they are experiencing financial hardship. The forbearance period is 180 days, but upon the borrower's request can be extended for additional 180 days, which may provide mortgage forbearance for up to 12 months.

Penalties and fees – There will be no fees, penalties, or interest beyond the amount scheduled on the mortgage loan while it is in forbearance.

Moratorium – This temporary prohibition of certain activities including foreclosure processes and evictions is in effect until May 17, 2020. No new foreclosures may be initiated and pending foreclosures may not be executed.

Credit reporting – The act provides special treatment for reporting on accounts subject to deferrals or forbearance agreements due to the COVID-19 pandemic. The accounts must be reported as current, as long as the accounts were not delinquent prior to deferral or forbearance agreement.

Conventional Loans not Backed by Federal Government – Borrowers with a conventional loan may still seek relief directly through their lenders. Most large mortgage lenders are putting plans into place to assist homeowners in this difficult time. They may be able to reduce or defer your monthly payments for a period of time. Borrowers must reach out to their mortgage holders as soon as possible to discuss their unique circumstances and find out options as a result of being affected by COVID-19.

Credit Cards and other Consumer Debt

The CARES act does not provide direct relief for consumer debt including credit card payments, personal loans, auto loans, or medical bills. However, many creditors created hardship programs to assist consumers in need. Each creditor works with individuals to review their specific situation and may be able to offer fee waivers, reduction of monthly payments, temporarily interest rate reduction, deferment, temporarily waiver of interest and even credit line increases. Borrowers must contact their creditors directly to discuss their situation and review their available options.

Retirement Access

The CARES act gives retirement plan participants the ability to access their retirement funds penalty free for coronavirus-related purposes. Taxes will still be assessed on the in-service distribution amount, but the 10 percent early withdrawal penalty will be waived for those under the age of 59.5. In addition, the withdrawal's taxation may be spread out over a three-year period or taxed in the year of the distribution, based on the individual's election.

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Repayment of Coronavirus-related Distribution – Individuals taking the in-service distribution from their retirement account will have an option to repay the withdrawal to an eligible retirement plan within three years of taking the distribution. This will treated as a rollover contribution.

401 (k) Loans – Individuals have the option to take a retirement loan from their plan administrator, instead of withdrawing their retirement funds to avoid taxable consequences. The act has temporarily increased the borrowing limit from $50,000 to $100,000. This means an individual may withdraw the lesser of $100,000 or 100 percent of their vested account balance.

Required Minimum Distributions – The CARES acts gives individuals subject to required minimum distributions from their retirement accounts the option not to take their withdrawals in 2020.