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U.S. Education Department Grants Loan Relief to Military Personnel Called to Active Duty

Also asks colleges and universities to refund tuition and charges

To assist members of the military who have been reassigned or activated as a result of the recent terrorist attacks, the U.S. Department of Education today directed lenders and colleges and universities to provide them with relief from their student loan obligations.

"The young men and women who serve our country have an enormous job to do in the coming months," said U.S. Secretary of Education Rod Paige. "The actions we are taking today will ease their financial burdens as they defend our country in these challenging times."

Today's actions apply to members of the National Guard and the Ready Reserves of the Armed Forces who have been called to active duty. The department's guidance relates to student loans made under the Federal Family Education Loan, William D. Ford Loan, and Federal Perkins Loan programs.

Under the department's guidance, lenders will automatically postpone the student loan payments of borrowers during the period of the borrower's active duty service. Borrowers with subsidized student loans will be eligible to have the federal government assume the interest payments on their loans while they are on military duty.

For military personnel called to active duty whose loans are not yet in repayment because they are currently students, or have only recently left school and are therefore in a grace period, the department has directed lenders to hold their loans in their current deferment status. Borrowers will not be required to make payments to their lenders during the term of their military service, as well as for a reasonable amount of additional time for the borrower to resume enrollment in school. In addition, borrowers generally receive a 6 to 9 month grace period after leaving school, and the department's action ensures that these students will not lose the benefit of this grace period as a result of their service.

In additional guidance, the department strongly encouraged colleges and universities to provide either a full refund of tuition and other institutional charges or comparable credit to students forced to withdraw from school to fulfill their military obligations. The department also urged schools to offer flexible re-enrollment options to these affected students and to other students who have been forced to withdraw from school as a result of the terrorist attacks.

"Many people's families and livelihoods have been dramatically changed by recent events," Paige said, "and I hope the nation's colleges and universities will give people time and flexibility to return to their normal routines and activities, just as I hope they work with the department to help our military reservists make the transition to active duty."

The department's actions also relax requirements that schools return federal financial aid to the government when a student aid recipient withdraws from school. As a result of today's actions, students who withdraw because they are called to active duty or have been affected by the military mobilization, as well as others who withdraw as a direct result of the terrorist attacks, will not be required to return financial aid funds they received for books and living expenses.

Borrowers and their families who have questions about this or other guidance issued by the department should call 1-800-4FEDAID (1-800-433-3243).