

## **The College Cost Reduction & Access Act and AmeriCorps**

### **FAQs for AmeriCorps Members and Alums on the Public Service Loan Forgiveness Program and the Income-Based Repayment Plan**

The College Cost Reduction and Access Act of 2007, (CCRAA) includes two new programs that may provide significant benefits to AmeriCorps members and AmeriCorps alumni. It includes a new Public Service Loan Forgiveness Program (“PSLF”) for recipients of William D. Ford Direct and Direct Consolidation Loans and a new Income-Based Repayment Plan (IBR). On October 23, 2008, the Department of Education issued **rules implementing the CCRAA**. The following FAQs describe how these two new programs operate in relation to AmeriCorps programs. For more detailed information on these programs, including eligibility requirements and Department of Education processes, please visit **the Department of Education’s website**. If you have a question about Public Service Loan Forgiveness or IBR that isn’t answered here, please send it to [AmeriCorpsloanforgiveness@cns.gov](mailto:AmeriCorpsloanforgiveness@cns.gov).

NOTE: The FAQs below were developed by the Corporation for National and Community Service, and are intended for informational purposes only; the information below is not legal or financial advice and does not substitute for legal or financial advice.

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## Questions about Public Service Loan Forgiveness and AmeriCorps

### 1. What is the Public Service Loan Forgiveness Program (PSLF)?

The CCRAA added the Public Service Loan Forgiveness Program (PSLF) to the Direct Loan Program. Under PSLF, the Department of Education will forgive any outstanding balance and accrued interest on a borrower's Direct Loan or Direct Consolidation Loan after the borrower makes 120 qualifying payments on the loan (on or after October 1, 2007). For a payment to be qualifying, it must be all of the following:

- a. A payment on a Direct Loan or Direct Consolidation Loan that is not in default.
- b. Paid under an income-based repayment plan, income-contingent repayment plan, or 10-year standard repayment plan.<sup>1</sup>
- c. A regular payment made within 15 days of the payment's monthly due date, unless the individual has made a lump sum payment with an AmeriCorps Education award or a Peace Corps transition payment. For more information on using the AmeriCorps Education award towards your qualifying loan payments, click [here](#).
- d. Made while employed full-time by a public service organization or serving in a full-time AmeriCorps or Peace Corps position.

In addition, the individual must be working in a public service job (including full-time AmeriCorps service) and may not be in default on the loan for which forgiveness is requested at the time the individual applies for loan forgiveness and at the time the balance on the loan is forgiven.

The Department of Education has stated that the requirement that the payment be made within 15 days of the payment's monthly due date will not apply in the situation where an individual makes a lump payment on a qualifying loan using an AmeriCorps Education award. In that situation, the Department of Education will consider the individual to have made qualifying payments equal to the lesser of the number of payments resulting after dividing the amount of the lump sum payment by the monthly payment amount the borrower would have made under a repayment plan or twelve payments. (See [34 CFR 685.219\(c\)\(1\)\(iii\)](#)). For more on using the AmeriCorps Education award towards your qualifying loan payments, click [here](#).

Reference: [34 CFR 685.219\(c\)](#)

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<sup>1</sup> The Department of Education's regulations also include other repayment plans if the monthly repayment amount is not less than the amount the borrower would have paid under the Direct Loan standard repayment plan. See [34 CFR § 685.219\(c\)\(1\)\(iv\)\(D\)](#)

## 2. Do payments made while serving in a full-time AmeriCorps position count towards PSLF?

According to the [Department of Education's regulations](#), full-time service in an approved AmeriCorps position will be considered equivalent to employment in a public service job for the purposes of PSLF. Under this rule, your payments will count if all of the following are true:

- a. You are serving in a *full-time* position in AmeriCorps State and National, AmeriCorps VISTA, or AmeriCorps NCCC when you make the payments.
- b. The payments are on an eligible Direct Loan or Direct Consolidation Loan that is not in default.
- c. You are making payments under an income-based, income-contingent, or 10-year standard repayment plan.<sup>2</sup>
- d. You are making regular monthly payments within 15 days of the payment's due date, unless you made a lump sum payment with an AmeriCorps Education award or a Peace Corps transition payment. For more information on using the AmeriCorps Education award towards your qualifying loan payments, click [here](#).
- e. The payments are made on or after Oct. 1, 2007.

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## 3. What kind of AmeriCorps service counts as a public service job for the purposes of PSLF?

Under the Department of Education's regulations, service in "a full-time AmeriCorps position" will be considered equivalent to employment in a public service job for the purposes of PSLF. An "AmeriCorps position" is defined in Education's proposed regulations as "a position approved by the Corporation for National and Community Service under section 123 of the National and Community Service Act of 1990 (42 U.S.C. 12573)." (See [34 CFR § 685.219\(a\)](#)).

Based on this definition, full-time service in the following programs is considered a public service job for the purposes of PSLF:

- i. AmeriCorps State and National;
- ii. AmeriCorps VISTA; and
- iii. AmeriCorps NCCC.

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<sup>2</sup> The Department of Education's regulations also include other repayment plans if the monthly repayment amount is not less than the amount the borrower would have paid under the Direct Loan standard repayment plan. See [34 CFR § 685.219\(c\)\(1\)\(iv\)\(D\)](#)

**4. What does “full-time” mean when referring to AmeriCorps positions?**

The **Department of Education’s regulations** provide a definition for “full-time” *employment*. However, to be serving in a “full-time AmeriCorps position,” one’s service must satisfy AmeriCorps’s definition of “full-time.” The Corporation defines a “full-time” approved AmeriCorps position as service for “not less than 1,700 hours during a period of not less than 9 months and not more than 1 year.” 42 U.S.C. 12593(b). Thus, service in a part-time program, such as the Summer of Service or VISTA Summer Associates, would not be considered full-time service in an AmeriCorps position.

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**5. I am serving in a part-time AmeriCorps position, but am serving more than 30 hours a week. Will payments I make while serving in this position count towards PSLF?**

No. Under the **Department of Education’s regulations**, only full-time service in an approved AmeriCorps position will be considered equivalent to employment in a public service job for the purposes of PSLF. The Department of Education provides a definition for “full-time” employment, including working “an annual average of at least 30 hours per week.” (See **34 CFR § 685.219(b)**). However, to be serving in a “full-time AmeriCorps position,” one’s service must satisfy AmeriCorps’s definition of “full-time.” The Corporation defines a “full-time” approved AmeriCorps position as service for “not less than 1,700 hours during a period of not less than 9 months and not more than 1 year.” 42 U.S.C. 12593(b). In other words, the Corporation’s interpretation of “full-time” does not take into consideration the average number of hours worked per week, but rather focuses on the agreed-upon term of service.

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**6. Will qualifying payments I make while serving in an AmeriCorps program still count towards PSLF if I leave AmeriCorps service early?**

Yes, if you were serving in an approved full-time position and your payments were qualifying, the payments you made while serving will count towards PSLF. Make sure to keep documentation of your service so that you can prove you were serving in a full-time AmeriCorps position when you made your payments. Please note, however, that payments you make after leaving AmeriCorps that are made while not in a qualifying public service job will not count towards PSLF.

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**7. Before I joined AmeriCorps, I consolidated my student loans with a private lender. Will my repayments still be eligible under PSLF?**

Not unless you reconsolidate them into a Direct Consolidation Loan. Only Direct Loans and Direct Consolidation Loans are eligible for PSLF. Effective July 1, 2008, if you have a federally-guaranteed (FFEL) loan or FFEL Consolidation Loan, and you intend on taking advantage of PSLF, you may consolidate or re-consolidate your loans into a Direct Consolidation Loan. If your loan or consolidation loan is not federally-guaranteed, it will not qualify. For information on how to do this, and whether your loans and consolidation loans qualify, visit [loanconsolidation.ed.gov/](http://loanconsolidation.ed.gov/).

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**8. I'm an AmeriCorps alum and have been paying down my student loan for several years. Will my previous payments count towards PSLF?**

It depends. For your payment to qualify for PSLF it must be a payment made while you are employed full-time by a public service organization or serving in a full-time AmeriCorps or Peace Corps position, and must be made on a Direct Loan or Direct Consolidation Loan in a 10-year standard, income-based, or income-contingent repayment plan made *on or after October 1, 2007*.<sup>3</sup> Any payment made prior to October 1, 2007 does not count towards public service loan forgiveness.

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**9. I'm serving in a full-time AmeriCorps position and making qualifying payments for PSLF. When I'm done with my AmeriCorps service, will I be able to take a break between ending my AmeriCorps service and starting a public service job, or do I need to stay in public service for ten years straight? In other words, must my 120 payments be consecutive?**

No, the 120 qualifying payments do not need to be consecutive. So long as you have documentation that you were employed full-time by a public service organization or serving in a full-time AmeriCorps or Peace Corps position at the time you paid each of the 120 qualifying payments, at the time you apply for PSLF and at the time your loan balance and accrued interest are forgiven, you will be eligible for PSLF.

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<sup>3</sup> The Department of Education's regulations also include other repayment plans if the monthly repayment amount is not less than the amount the borrower would have paid under the Direct Loan standard repayment plan. See [34 CFR § 685.219\(c\)\(1\)\(iv\)\(D\)](#).

**10. I am currently serving in an AmeriCorps program and have put my qualified student loans into forbearance for financial reasons. Will my service count towards my eligibility for PSLF?**

No. PSLF is available after you have made 120 [qualifying payments](#) on your Direct or Direct Consolidation Loan. The fact that you are serving in a full-time AmeriCorps position or working in a full-time public service job does not help you qualify for PSLF if you are not simultaneously making [qualifying payments](#) on your Direct or Direct Consolidation loan.

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**11. I am currently serving in an AmeriCorps program and am not paying on my loans because I qualified for an economic hardship deferment. Will my service count towards my eligibility for PSLF?**

No. PSLF is available after you have made 120 [qualifying payments](#) on your Direct or Direct Consolidation Loan. The fact that you are serving in a full-time AmeriCorps position or working in a full-time public service job does not help you qualify for PSLF if you are not simultaneously making [qualifying payments](#) on your Direct or Direct Consolidation loan.

NOTE: It is possible that the period during which you are in an economic hardship deferment may count towards the 25 year period after which a Direct (or Direct Consolidation) Loan being paid in an income-based repayment plan will be forgiven. For more information on IBR forgiveness, see §§ 682.215(f) and 685.221(f) of the [Department of Education's regulations](#).

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**12. I am currently serving in an AmeriCorps program and only take home \$11,000 a year. How can I afford to make payments on my student loans so that I can take advantage of PSLF?**

The CCRAA created a new loan repayment plan, Income-Based Repayment (IBR), which may make paying on your loans during service more manageable. For more on IBR, see our [FAQs on IBR](#) and AmeriCorps, below.

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**13. Will payments made using my Segal AmeriCorps Education Award count as qualifying payments for PSLF?**

Yes. So long as you are paying on a qualifying loan, and your loan is in an eligible repayment plan (income-based repayment, income-contingent repayment, or a 10-year standard repayment plan), payments made with your AmeriCorps Education Award will



count towards the 120 required payments for PSLF.

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**14. How will payments made on loans eligible for public service loan forgiveness using my Segal AmeriCorps Education Award be treated?**

According to the **Department of Education’s regulations**, if you elect to use your Education Award to make a lump sum payment on an eligible loan for which you are seeking public service loan forgiveness, the Department of Education will consider you to have made either (1) the number of payments that would result from dividing the amount of the lump sum payment by the monthly payment amount you would have made under your selected repayment plan; or (2) twelve payments – whichever is less. (**See 34 CFR § 685.219(c)(2)**).

For example, if you instruct the National Service Trust to send \$1,000 of your education award towards payment on a Direct Loan, and under your repayment plan you are expected to pay \$100 each month, your education award payment would count as 10 payments towards PSLF, and you would not owe another payment for 10 months from the date the lump sum payment was applied. ( $\$1000 \div \$100/\text{month} = 10$  payments, which is less than 12 payments).

You should consider how much your monthly payments will be before requesting that all or part of your education award be paid towards an eligible loan to qualify for PSLF. For example, if you instruct the National Service Trust to send your entire \$4,725 towards your eligible loan, but you are only expected to pay \$100/month on that loan, your lump sum payment will only count as 12 payments. ( $\$4,725 \div \$100/\text{month} = 47.25$  payments, which is greater than 12 payments). However, if each year for three years you instruct that \$1,200 be paid towards your loan, and \$1,125 the fourth year, your education award will eventually count towards 47.25 payments, instead of just 12.

Here’s how to apply this formula to your own situation:

(a)	Enter the amount you are expected to pay each month under your repayment plan	
(b)	Enter the amount of your AmeriCorps Education award that you are requesting to be sent as a lump sum payment from the National Service Trust	
(c)	Now, divide the number from line (b) by the number in line (a)	

If the number in line (c) is greater than 12, you may want to request a smaller portion of your AmeriCorps Education Award be applied to that loan.

**NOTE:** You should check the terms of your repayment plan to determine how amounts paid in excess of the required monthly payment are credited toward your loan. For example, someone who used the entire AmeriCorps education award of \$4,725 at once to



pay on a loan under an income-based repayment plan with an expected monthly payment of \$100 who intends to qualify for PSLF will have \$1,200 of the \$4,725 count as 12 payments, and the remaining \$3,525 would be credited first to accrued interest, second to collection costs, third to late charges, and last to the loan principal. (See 34 CFR § 685.221(c)).

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### **15. Should I use my Segal AmeriCorps Education Award to make payments towards PSLF?**

This depends upon the size of your loan, your expected income, your future employment plans, and many other variables that are impossible to predict with absolute certainty. To make the most of the AmeriCorps education award, some may benefit most by using the award to pay down the principal of a loan, while others will not benefit from paying down the principal (and may, in fact, end up spending more money). Preliminary examination suggests that if you intend on taking advantage of PSLF, the greater your debt-to-income ratio, the less likely that paying down your principal will be beneficial.

In more simple terms, if you owe a significant amount of money and you anticipate that you will have a low income (e.g., you could not pay off the loan in fewer than ten years under your chosen repayment plan), *and* you intend to pursue a career in public service, it may be better to use your AmeriCorps Education Award towards making qualifying payments under PSLF.

If you do *not* owe a significant amount of money (e.g., you could easily pay off the loan in fewer than ten years under your chosen repayment plan), you anticipate that you will be making too much money to qualify for an income-based or income-contingent repayment plan, or you do not intend on staying in public service, you may be better off using your AmeriCorps Education Award to pay down the principal on your loan. If you choose to do this, be sure to check the terms of your repayment plan, as it may be necessary to indicate that you wish the payment in excess of the required monthly payment to apply to the principal of the loan.

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## **Questions about Income-Based Repayment Plans and AmeriCorps**

### **16. What is an income-based repayment plan and how can I sign up for it?**

The CCRAA added a new Income-Based Repayment Plan (IBR) to the federal family education loans (FFEL) and Direct Loan programs for individuals with a partial financial

hardship.<sup>4</sup> Under IBR, your monthly payments will be limited to no more than 15% of the amount by which your adjusted gross income exceeds 150% of the poverty guideline applicable to your family size, divided by 12. Based on this calculation, if you are single and make \$11,000 each year in AmeriCorps, your monthly payments could be as low as \$0 each month. Even a payment of \$0 a month on a qualifying loan counts towards the required 120 payments for PSLF. IBR will become available in July, 2009.

You may find the [IBR calculator available at finaid.org](#) helpful in estimating what your monthly payments would be under IBR, and whether you would qualify. We will post information on how to request IBR from the Department of Education as it becomes available.

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#### **17. I will begin repaying my loans this year. If I select income-contingent or a 10-year standard repayment plan now, will I be able to switch to IBR when it becomes available in July, 2009?**

Yes, if you have a [partial financial hardship](#) at the time you apply for IBR.

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#### **18. I am currently serving in an AmeriCorps program and have requested that my student loans be put into forbearance for financial reasons. Can I take my loans out of forbearance and enter into an income-based repayment plan when it becomes available?**

Yes. You may take your loans out of forbearance at any time. For more information on forbearance during AmeriCorps service, visit our [website](#). For information on how to request that your loans be taken out of forbearance, contact your loan holder. We will post information on how to request IBR from the Department of Education as it becomes available.

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#### **19. Should I take my loans out of forbearance and enter into IBR?**

This depends upon many variables, including:

- \* the length of time you have been in repayment status;
- \* the size of your loan;
- \* the amount you would pay each month under IBR; and

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<sup>4</sup> A “partial financial hardship” is defined in the Department of Education’s rules as “a circumstance in which the annual amount due on all of a borrower’s eligible loans, as calculated under a standard repayment plan based on a 10-year repayment period, exceeds 15% of the difference between the borrower’s [adjusted gross income] and 150 percent of the poverty guideline for the borrower’s family size.” You may find the [IBR calculator available at finaid.org](#) helpful in estimating whether you would qualify.

\* your future employment plans.

Interest accrues on your student loans while they are in forbearance. Interest also accrues on your loans if you are repaying them, but the amount you pay each month isn't enough to cover the interest that accrued the previous month. Thus, interest will accrue on your loans while being paid under IBR if your monthly payments are too small to cover the accruing interest (which, unless you are making payments equal to what you would pay under a 10-year standard repayment plan, is likely).

For example, say you owe \$10,000 on a qualified student loan, and you pay nothing on that \$10,000 for the 12 months of AmeriCorps service (either because your loans are under forbearance or because your IBR monthly payment is \$0). At the end of your term of service you will owe more than when you started because interest will have accrued on your \$10,000 loan.

As a benefit of AmeriCorps service, the Corporation will pay for any interest accrued on qualified student loans *in forbearance* during your AmeriCorps service out of the National Service Trust if you successfully complete your term - regardless of whether the loan is subsidized or unsubsidized and regardless of the length of the time the loan has been in repayment status. In other words, if you had put your qualified loan in forbearance, all of the interest that accrued on your \$10,000 loan from the example above would be paid for by the Corporation, so you would essentially leave AmeriCorps service owing the same amount as when you started. However, because you did not make any qualifying payments on your loan while it was in forbearance, the 12 months of service will not count towards PSLF.

On the other hand, if you made payments under IBR, the Secretary of Education will pay the interest that accrues on loans due to too-small payments under IBR. However, the Department of Education's payments on accrued interest only apply to *subsidized* loans and the subsidized portion of a Federal Consolidation loan, and are only available for the first three years your loans are in repayment under IBR. (See [34 CFR § 682.215\(b\)\(4\)](#)). So, if you take your loans out of forbearance to use IBR, and your loans are unsubsidized or more than three years have passed since you began repaying the loans, and your IBR payments are not large enough to cover accruing interest, you may finish your AmeriCorps service owing more money than you did when you started.

That said, if you intend on pursuing a career in public service, you have a large loan, and you expect that you will have a small income, the amount that may be forgiven after 120 qualifying payments may be significant. In such case, it may be worth it for you to put your loans into IBR while serving in AmeriCorps – even if using IBR means that you finish your service with more debt than when you started - so that you can start working towards the required 120 payments as soon as possible.

To determine whether you should put your loans into forbearance or use IBR while in AmeriCorps, you should contact your loan holder for guidance. You may also wish to consult with a financial aid advisor or a parent or mentor, work with the calculators

available on [finaid.org](http://finaid.org), and use the many resources available on the Department of Education's [Direct Loan website](#).

The regulations regarding payments from the National Service Trust on interest accrued on loans in forbearance during AmeriCorps service can be found at [45 CFR Part 2529](#). Information on forbearance during AmeriCorps service can be found on our [website](#). If you cannot find an answer about payments on accrued interest from the National Service Trust, you can contact the Trust at **1-800-942-2677**.

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**20. If I start making payments on my Direct Loan under IBR while serving in AmeriCorps, will my payments under IBR change when I leave AmeriCorps if I make more money?**

Probably. Your payments under IBR will be re-calculated annually, and are based on your adjusted gross income. Once you qualify for IBR, you can remain in IBR as long as you choose. Depending upon your adjusted gross income, your family size, and the poverty guidelines, your monthly payment amount could be larger or smaller year to year, but will never exceed the monthly payment amount you would make under a standard 10-year repayment plan. You may find the [IBR calculator available at finaid.org](#) helpful in calculating what your monthly payments would be under IBR.

Reference: [34 CFR § 682.215](#)

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**21. If I pay on my Direct Loan under IBR while serving in AmeriCorps, must I continue to work in a public service job for my Direct Loan to be forgiven?**

Not necessarily. If you continue to make payments under IBR, the balance of your loan and any accrued interest will be forgiven after 25 years of regular payments regardless of whether you were in a public service job. (See [34 CFR § 682.215\(f\)](#)). PSLF offers forgiveness in as few as 10 years (120 payments), but you must have been working in a public service job while making payments to qualify.

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