

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”). 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.

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 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:

- a. A payment on a Direct Loan or Direct Consolidation Loan;
- b. Paid under an income-based repayment plan, income-contingent repayment plan, or **10-year standard repayment plan**;
- c. A regular payment made within 15 days of the payment’s monthly due date;
- d. While working in a public service job.

In addition, the individual must be working in a public service job at the time the individual applies for loan forgiveness and at the time the balance on the loan is forgiven.

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

According to the **Department of Education’s proposed regulations**, full-time service in an approved AmeriCorps position will be considered equivalent to employment in a public service job for purposes of PSLF. If the proposed rule is adopted as a final rule, your payments will count if:

- a. You are serving in a *full-time* position in AmeriCorps State and National, AmeriCorps VISTA, or AmeriCorps NCCC;
- b. The payments are on a Direct Loan or Direct Consolidation Loan;
- c. You are making payments under an income-based, income-contingent, or **10-year standard repayment plan**;
- d. You are making regular monthly payments within 15 days of the payment’s due date; and
- e. The payments are made on or after Oct. 1, 2007.

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

The Department of Education’s proposed regulations state that service in “a full-time AmeriCorps position” will be considered equivalent to employment in a public service job. 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 proposed 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.

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

The [Department of Education’s proposed 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.

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 proposed 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 proposed 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, our 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.

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.

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

No. 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/.

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 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*.¹ Any payment made prior to October 1, 2007 does not count towards public service loan forgiveness.

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 in an eligible public service job when you paid each of the 120 qualifying payments, and you are in an eligible public service job 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.

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 qualifying loan.

¹ The Department of Education's proposed rule would 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.

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 qualifying 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 proposed regulations](#).

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.

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 (IBR, ICR, or a 10-year standard repayment plan), payments made with your AmeriCorps Education Award will count towards the 120 required payments for PSLF.

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 proposed 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 paid by the monthly payment amount you would have made under your selected repayment plan; or (2) twelve payments – whichever is less. ([See proposed 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. ($\$1000 \div \$100/\text{month} = 10$ 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 on an eligible loan to qualify for PSLF. If, for example, you instruct the 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.

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 using IBR 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 proposed 34 CFR § 685.221\(c\)](#)).

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, and your future employment plans. 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.

Questions about Income-Based Repayment Plans and AmeriCorps

16. What is an IBR 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.² Under IBR, your monthly payments will be limited to no more than

² A “partial financial hardship” is defined in the Department of Education’s proposed 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

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.

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 next July?

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

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.

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

This depends upon your individual circumstances, including the length of time you have been in repayment status, the size of your loan, the amount you would pay under IBR, and your future employment plans.

Interest accrues on your student loans while they are in forbearance. Interest will also accrue on your loans while being paid under IBR if your monthly payments are too small to cover the accruing interest. 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. Similarly, the Secretary of Education will not charge you for interest that accrues on loans due to small payments under IBR. However, Education's

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."

payments on accrued interest only apply to Direct Subsidized Loans and the subsidized portion of Direct Consolidation Loans, and are only available for the first three years your loans are in repayment under IBR.

If you take your loans out of forbearance, and your Direct Loans are unsubsidized and your IBR payments are not large enough to cover accruing interest, you may finish your AmeriCorps service owing more money than when you started. On the other hand, if you intend on working in public service for ten years, you have a large loan, and you expect that you will have a small income, the amount that would be forgiven after 120 payments may be significant. In such case, it may be worth it to you to put your loans into IBR while serving in AmeriCorps 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 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**.

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?

Yes. 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.

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 regardless of whether you were in a public service job. (See proposed 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.