

MS 231 VOLUNTEER EDUCATION LOANS

Date: 09/03/04

Office: Volunteer Financial Operations (OPBF/F/IFO/VFO)

Supersedes: MS 231, 1/30/97, 11/16/82; MS 212, 8/7/73

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Attachment A PC-2066 Certification of Eligibility for Deferment of Repayment of Student Loan Based on Service as a Peace Corps Volunteer

Attachment B PC-2067 Certification of Eligibility for Student Loan Cancellation Based on Service as a Peace Corps Volunteer

1.0 PURPOSE

This Manual Section explains the limited role the Peace Corps plays with respect to the deferment, forbearance, or cancellation of Volunteers’ student loans. It outlines deferment policies and procedures for Federal Perkins Loans, Federal Stafford Loans and Federal Consolidation Loans. It also outlines policies and procedures for requesting cancellation (“forgiveness”) of Federal Perkins Loans. Questions regarding loans may be addressed to: Volunteer Financial Operations, Peace Corps 1111 20th St, NW, Washington, DC 20526.

2.0 THE PEACE CORPS ROLE

Peace Corps has no role in deciding if a Volunteer is eligible for a loan deferment, forbearance or cancellation. This decision is solely at the discretion of the Volunteer's lending institution or loan servicer. Peace Corps' role is to certify the status of Peace Corps Volunteers and Trainees for purposes of completing documentation required by a lending institution.

Depending on when certification occurs, the "Authorized Certifying Official" signing the necessary forms will be the Staging Coordinator, the Country Director, or an official in the Volunteer Financial Operations (OPBF/F/VFO) office at Peace Corps Headquarters. (See paragraph 1.0 or 4.2 for the VFO address). Initial certification of Peace Corps Volunteer service usually occurs at the Trainee's staging event with the Staging Coordinator signing as "Authorized Certifying Official." Peace Corps also will certify a Volunteer's status for the deferment and forbearance renewal requests that Volunteers must submit to their lenders periodically. The Country Director will certify renewal requests occurring in-country. For Volunteers who have designated a power-of-attorney, OPBF/F/VFO will certify Volunteer status.

Peace Corps Volunteers are responsible for ensuring that their loans are current. PCVs are encouraged to be "pro-active" in dealing with their lending institutions in requesting and submitting deferment, forbearance, and cancellation forms, and in learning the regulations concerning grace periods pertinent to their particular type of loan.

NOTE: Borrowers need to be aware that the laws and regulations affecting student loans may and do change frequently. Thus, Volunteers and Trainees bear responsibility for initiating and maintaining contact with their lenders or designated loan servicers regarding arrangements for deferment, forbearance, cancellation, and repayment of loans.

3.0 LOAN DEFERMENT

The date of loan disbursement or loan consolidation is critical in determining the type of deferment or forbearance a Volunteer may request. Loans disbursed or consolidated prior to July 1, 1993 (or a combination of loans which includes disbursement dates before and after July 1, 1993) are subject to different regulations than those disbursed or consolidated on or after July 1, 1993. Loan institutions apply different criteria to these two categories in determining eligibility for deferment or forbearance.

3.1 Loans Disbursed Before July 1, 1993 ("Peace Corps Service" Deferment)

[Authority: 20 USC § 1077 (a)(2)(C)(iii); 20 USC § 1078 (b)(1)(M)(iii); 20 USC § 1077 (a)(2)(B)]

Loans disbursed prior to July 1, 1993 (or a combination of loans which includes disbursement dates before and after July 1, 1993) may be deferred based solely on Peace Corps service.

3.1.1 Federal Stafford Loans (Formerly Guaranteed Student Loans)

Under the Higher Education Act of 1965, Federal Stafford Loans (FSLs) may be deferred during Peace Corps service. This means that the principal on these loans may be deferred during a period of Peace Corps service not exceeding three years. When these loans are deferred, the period of Peace Corps service will be excluded in computing times allowed for repayment.

Interest on Federal Stafford Loans continues to accrue and must be paid during the deferment period unless the borrower has a federal interest subsidy at the time the loan was made (i.e., a Subsidized Federal Stafford Loan), or if the lender grants the Volunteer a "forbearance" allowing for a temporary cessation or decrease of interest payments. Peace Corps Volunteers may arrange to make interest payments from their

Readjustment Allowance (See Manual Section 223 “Volunteer/Trainee Readjustment Allowance,” paragraphs 6 and 7, for information on single payment withdrawals and monthly allotment payments).

Returned Volunteers are required to begin making payments on their Federal Stafford Loans in the month following completion of their service. Although Federal Stafford Loans offer an automatic six-to nine-month grace period (depending on the interest rate under which the borrower acquired the loan) after graduation or upon reduction of credit hours to less than half-time student status, this grace period must be used before any Peace Corps-related deferment can begin. Therefore, no post-Peace Corps service grace period exists as with Federal Perkins Loans (see 3.1.2 below).

3.1.2 Federal Perkins Loans (Formerly National Direct Student Loans)

(See also paragraph 4.0 regarding cancellation of Federal Perkins Loans)

[Authority: 20 USC § 1087 dd (c)(2)(A)(iii); 20 USC § 1087 dd (c)(2)(B); 34 CFR § 674.35; 34 CFR § 674.36 (g)]

The National Direct Student Loan Program (NDSL), previously known as the National Defense Student Loan Program, was renamed the Federal Perkins Loan (FPL) Program in 1986.

Peace Corps Volunteers may qualify for deferment of a Federal Perkins Loan. The Federal Perkins Loan program also provides that interest will not accrue on Federal Perkins Loans during Peace Corps Volunteer service, and that no principal or interest installments need be paid during a period of Peace Corps service not exceeding three years. In addition, the Federal Perkins Loan program offers a post-deferment grace period which provides a six-month extension of these terms.

The period of Peace Corps service, not exceeding three years, and the grace period will be excluded in computing the ten-year period normally allotted for repayment of a Federal Perkins Loan.

3.1.3 Deferment Procedures

Volunteers may apply for the “Peace Corps” deferment by completing the deferment form provided by their lender or by using the standardized “Public Service Deferment Request” form entitled “PUB.” The borrower may obtain a “PUB” form from the US Department of Education. This form is available from the Direct Loans website at <http://www.dlsonline.com>.

The Peace Corps Staging Coordinator will certify the Trainee’s status if the form is completed at Staging by filling out the “Certification of Eligibility for Deferment of Repayment of Student Loan Based on Service as a Peace Corps Volunteer” (see Attachment A, Form PC-2066). The Country Director will certify Volunteer and Trainee status if the form is completed in-country (see Attachment A). If the form is submitted to Peace Corps by a power of attorney of the Volunteer or Trainee., OPBF/F/VFO will certify Volunteer and Trainee Peace Corps status (see Attachment A). In all cases, the signatories will use the title “Authorized Certifying Official,” instead of their normal Peace Corps position titles. The Certifying Official returns the completed form to the Volunteer/Trainee for forwarding to the lending institution along with any other required documents.

3.2 Loans Disbursed on or After July 1, 1993 (“Economic Hardship” Deferment)

[Authority: 20 USC § 1077 (a)(2)(C)(iii); 20 USC § 1078 (b)(1)(M)(iii); 20 USC § 1087 dd (c)(2)(A)(iv); 34 CFR § 674.34; 34 CFR § 682.210 (s)(6)(i)]

Loans disbursed on or after July 1, 1993 may be deferred based on “Economic Hardship,” but not based on Peace Corps Service in and of itself. However, under current law, legislative history, and regulations, Peace Corps service in every case qualifies for an “economic hardship” deferment, unless the individual has used up the total of three years of available economic hardship deferment. Volunteers, Trainees, and lenders may address questions on this matter to the VFO.

Loans granted under the Federal Family Education Loan Program (including Federal Perkins Loans, Federal Stafford Loans, William D. Ford Federal Direct Loans, Supplemental Loans for Students, PLUS Loans, and Consolidation Loans, among others) are eligible for this type of deferment/forbearance.

NOTE: This deferment applies only if the entire borrower’s loans were disbursed or consolidated on or after July 1, 1993.

3.2.1 Economic Hardship Deferment or Forbearance Procedures

Volunteers may apply for the “economic hardship” deferment by completing the deferment form provided by their lender or by using the standardized “Economic Hardship Deferment Request” form entitled “HRD.” The borrower may obtain an “HRD” form from the US Department of Education. A Peace Corps staff member will sign request forms as “Authorized Certifying Official,” as needed (see 2.0 and 3.1.3).

3.2.2 Renewal of Economic Hardship Deferment/Forbearance

An economic hardship deferment/forbearance may need to be renewed periodically. A Volunteer may request renewal by submitting a new lender-specific economic hardship deferment request before the expiration date of the previously-granted deferment.

4.0 LOAN CANCELLATION (FEDERAL PERKINS LOANS ONLY)

Federal Perkins Loans disbursed on or after July 1, 1987, to “new borrowers” are eligible for cancellation (“forgiveness”) as described in 4.1 below. A new borrower is an individual who, on July 1, 1987, had no outstanding balance of principal or interest on any loan made under the former NDSL Program.

This provision applies only to Federal Perkins Loans. There is no authority to forgive loans in other programs. Note also that this provision is not applicable to past and/or current Volunteers with outstanding NDSLs as of July 1, 1987, nor does it allow cancellation of NDSLs disbursed after completion of Peace Corps Volunteer service.

4.1 Loan Cancellation Provisions

The Federal Perkins Loan Program cancellation provisions are as follows:

- (a) For each of the first and/or second complete years (i.e., 12 months) of Peace Corps service, including training, 15% of a borrower’s total loan obligation plus the accrued annual interest may be canceled. Thus, two complete years of service, including training, would result in a 30% cancellation of the total loan obligation.
- (b) For each of the third and/or fourth complete years of service, 20% of a borrower’s total loan obligation plus the accrued annual interest may be canceled. Thus, in the case of three years of service, the Volunteer’s original loan obligation would be reduced by 50%. Likewise, after four complete years of Volunteer service, the loan obligation would be reduced by 70%.

4.2 Loan Cancellation Procedures

[Authority: 20 USC § 1087 ee (a)(2)(E); 34 CFR § 674.60 (a)(1)] After completion of 12 months of service, including training, a Volunteer may request the Country Director to certify the Volunteer's status on a request for cancellation form provided by the lender.

After receiving Country Director certification using Attachment B, Form PC-2067, "Certification of Eligibility for Student Loan Cancellation Based on Service as a Peace Corps Volunteer," the Volunteer submits the request and the certification of service letter directly to his or her lending institution or loan servicer.

A new cancellation form must be submitted after each 12-month period of service. PCVs cannot receive cancellation of their student loans for partial years of service, nor should their status be certified prior to completion of the qualifying year. Again, it is the Volunteer's responsibility to forward the certified form to his or her lending institution or loan servicer.

Alternatively, PCVs who have not submitted all cancellation requests to their lenders prior to their close of service may do so after their return to the US. In these cases, Returned Peace Corps Volunteers (RPCVs) may request certification of their dates of service from VFO at Peace Corps Headquarters (see Attachment B). The correct address for this type of certification is:

Volunteer Financial Operations OPBF/F/IFO/VFO
Peace Corps
1111 20th St. NW
Washington, DC 20526.

Upon certification, VFO will return the request form to the RPCV for forwarding to his or her lending institution or loan servicer.

5.0 LOAN REPAYMENT ARRANGEMENTS

After Peace Corps service, Volunteers should contact their lenders to arrange repayment of loans that were deferred. RPCVs also are encouraged to contact their lenders to determine if their circumstances qualify them for continued or new deferment or forbearance of loans under "economic hardship" provisions.

6.0 EFFECTIVE DATE

This manual section shall become effective on the date of issuance.