

# Instructions for Student Loans

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Loan types and benefits

Volunteers who have outstanding debts under one of the federally administered or guaranteed student loan programs qualify for certain relief during their Peace Corps service. The regulations that authorize this relief are complicated, and different rules apply to each type of loan.

The summary below and the information on the reverse side will help you to take advantage of the full range of benefits to which you are entitled.

## Loan Deferment

**It is your responsibility to apply for student loan deferment.** YOU must contact your lending institution(s) and request appropriate forms. Take your deferment papers to staging with you; do not send them to the Peace Corps. The Peace Corps cannot verify that you are a Volunteer until you arrive at staging.

Student loans may be deferred for the full period of your Volunteer service, up to 27 months. Your lender may grant you a deferment for the full 27 months, or require you to reapply for a deferment every 12 months. YOU must contact your lender to determine the length of your deferment. If you extend your service, deferral of up to three years is available, but you must apply for this separately. Your Country Director will certify deferment forms for the second, and possibly third years of service. Take extra deferment forms with you if your deferment must be certified annually.

When determining benefits that are available, you must consider each type of loan and the principal and interest components individually. You can defer principal payments on Perkins Loans, NDSL loans, Federal Direct Loans, Federal Consolidation Loans, and Stafford Loans (Guaranteed Student Loans or GSLs).

## *Interest payments*

Even though your principal payment is deferred, you must make interest payments on the following unsubsidized loans during your Peace Corps Service: Stafford Loans, Consolidation Loans that include unsubsidized loans, and Direct Loans. You may opt to apply to your lender for forbearance on the interest payment for these loans.

The Department of Education pays the interest during the period of deferment for subsidized Stafford Loans and Consolidation Loans that consolidate only subsidized Stafford Loans.

The Department of Education does not charge interest during the period of deferment for Perkins Loans and subsidized Direct Loans. Please refer to the chart on the reverse side for details about specific types of student loans.

As a Volunteer, you may authorize payments of up to \$100.00 per month from your readjustment allowance to cover interest due on your student loans.

## *Power of Attorney*

The Peace Corps strongly recommends giving power of attorney to a family member or friend to handle your loan deferments while you are in Peace Corps. If questions arise about the account, it is advantageous to have a local contact.

## *The Peace Corps' Role*

The Peace Corps' role in the loan deferment process is limited to certification of your dates and country of service and authorization of deductions from your monthly readjustment allowance. **The Peace Corps does not grant or deny deferments of loans.**

If you have any questions concerning your loan deferments, call the Peace Corps' office of Volunteer Financial Operations at 1-800-424-8580, ext. 1770, or (202) 692-1770.

## Perkins Loans

- Volunteers qualify for a 15% loan cancellation for each of their first two years of service and a 20% loan cancellation for their third and fourth years of service. Up to 70% of a Perkins Loan may be canceled.
- The Department of Education does not charge interest during the deferment period.
- Volunteers qualify for a deferment of principal payments during their Peace Corps service and for six months immediately after their service ends. For Perkins Loans obtained before July 1, 1993, this relief is limited to three years of Peace Corps service, but for loans obtained on or after that date, it is available for the entire period of a Volunteer's service.

## Stafford Loans

### *Guaranteed Student Loans or GSLs*

- Volunteers qualify for a deferment of principal payments for up to three years during Peace Corps service.
- The Department of Education pays interest on subsidized Stafford Loans during the deferment period.

## Direct Loans

### *William D. Ford Direct Loans*

- Volunteers qualify for a deferment of principal payments for up to three years during Peace Corps service.
- The Department of Education does not charge interest on subsidized Direct Loans during the deferment period.
- Volunteers with unsubsidized Direct Loans must pay interest during service or apply to the Department of Education for forbearance.

## Consolidation Loans

- Volunteers with Consolidation Loans qualify for a deferment of principal payments for up to three years during service.
- The Department of Education pays interest on Consolidation Loans that consolidate only subsidized Stafford Loans.
- Volunteers with Consolidation Loans that include unsubsidized loans must pay interest during the deferment period or apply to their lender