

Making the Most of Your AmeriCorps Education Award

Introduction

This collection of handouts is designed to assist current and former AmeriCorps members in the decision-making process regarding using the education award in going to school and repaying student loans. The handouts cover these topics:

"Going to college"

"Repaying your loans"

"Nontraditional uses of the education award"

"Colleges and universities that reward students for a commitment to service: Matching schools"

"General questions"

"Education Award on the Web"

CONTACT

Richard Melo

NWREL

101 SW Main, Suite 500

Portland, Oregon 97204

1-800-547-6339, extension 610

melor@nwrel.org

Making the Most of Your AmeriCorps Education Award

"Going to college"

You can use your education to help pay for college, but it's good to keep in mind that the buying power of your education award varies depending on how you use it. For example, an education award in the amount of \$4,725 will nearly cover the tuition for two full years (six quarters) at Mt. Hood Community College in Gresham, Oregon. By the same token, at a school like Sarah Lawrence College, where the tuition alone for the 2004–05 school year totals \$29,260, the education award will cover tuition for less than a month.

Another item you may wish to consider is the effect of inflation on college costs. While inflation varies from year to year and state to state, it typically hovers around 7 percent a year. In other words, if you wait seven years to use your ed award (7 years multiplied by 7 percent), it will have roughly half the buying power it does today. This is not to suggest that you rush into college and use your education award right away (unless that's what you were already planning to do), but it is to suggest that you look at multiple factors when making choices on how and when to use your ed award.

Here are other factors worth considering:

1. When applying for financial aid, Worksheet C is your best friend.

If you are planning to go to college and wish to tap into the resources of financial aid, one of your first steps will be filling out the FAFSA. The FAFSA is an acronym for the Free Application for Federal Student Assistance. It's a form you need to fill out if you would like to receive financial aid and/or student loans at a Title IV school.¹ Usually, you fill out the FAFSA early in the calendar year if you are planning to go to

¹ A Title IV school is any school that accepts U.S financial aid. This includes many schools that are abroad. You can find out whether a school is Title IV by using the "search" feature at this web site: <http://www.fafsa.ed.gov/FOTWWebApp/FSLookupServlet>

attend in the next school year. You should always check with the school's financial aid office for their priority deadline. Filling out the FAFSA before the deadline could help you get the best possible aid package.

When you reach the end of the FAFSA, you will find Worksheet C. This is an income exclusion worksheet. In other words, the dollars you fill out on Worksheet C get subtracted from the adjusted gross income (from your taxes) that you reported earlier on the FAFSA. Worksheet C can help students receive a better financial aid package than if they had left it blank. You don't get the satisfaction of doing the math yourself, but when you submit your FAFSA to a financial aid office, they will subtract the dollars you fill out on Worksheet C from your adjusted gross income for you.

The reason this matters to AmeriCorps members is that Worksheet C asks you to fill in from the previous tax year any AmeriCorps living allowance income you received, any portion of your education award you used, or any interest payments made by the National Service Trust on a qualified student loan. In other words, if your only source of income in the calendar year 2004 is from AmeriCorps and you made \$9,000, then for financial aid purposes your income is \$0, and you potentially could receive a better financial aid package than a student who earned \$9,000 at a job other than national service. (Other factors may apply here -- for example, if your parents still claim you as a dependent or if you have other assets.)

The potential benefits from Worksheet C can stretch into two school years. Here's how that works. The FAFSA you fill out for the 2005-06 school year is based on your 2004 taxes. Likewise, down the road, the FAFSA you fill out for the 2006-07 school year will be based on your 2005 taxes. If your term of service runs from 2004-05, you can potentially receive benefits from Worksheet C over the next two school years. Even if you take the next year off from school and service, you might still be able to benefit from Worksheet C.

2. Know what your doing, and work with a financial aid officer.

The suggestions here have less to do with national service than common sense. The more attention you pay to the financial aid process can save you thousands of dollars. Each year the Department of Education puts out *The Student Guide to Financial Aid*. From this guide, and other resources such as finaid.org, you can learn valuable advice toward making decisions that will help you pay for college.

When you interact with financial aid officers, you can help yourself out by coming across as you would during a job interview and during your research so that you ask informed questions. Financial aid officers make decisions that can help or hurt you, so it's in your best interest to come across to them as smart and businesslike.

There are a few nuts and bolts financial aid terms that you should know as they apply significantly to your national service experience and your education award:

Cost of Attendance (COA). The amount it costs to attend a college or university. Included in the COA are tuition/fees, room and board, books, supplies, transportation and the one-time purchase of a computer. You can use your education award for any cost that can be determined as Cost of Attendance.²

Expected Family Contribution (EFC). The amount you and your family (if your parents claim you on their taxes) is expected to contribute toward the cost of your education. This is based on income and assets from the previous tax year.

² "Cost of Attendance" is referred to in TITLE 42 – The Public Health and Welfare, Chapter 129 – National and Community Service, Sec. 12604: Disbursement of national service awards: (a) In general, amounts in the Trust shall be available 92) to pay all or part of the cost of attendance at an institution of higher education in accordance with subsection (c) of this section.

Need. The difference between the COA and the EFC is the student's financial need.

When putting together a financial aid package, a school will first take your **cost of attendance**, and then subtract the **expected family contribution**. The resulting number is your **need**. Then based on the information you provided in your FAFSA, the office will create an offer of grants, aid, and loans that match your need.

3. How to avoid losing aid dollars

The danger in using your education award to go to school is that by using your ed award, you can cause yourself to go into over-award status, in which more funds are available to you than your need. Because the school cannot give you money above your need, they will remove aid from your financial aid offer. Under this scenario, you could lose thousands of dollars in financial aid when you use your education award.

Remember that you don't have to use your education award until you choose to use it. Under certain cases, you will save yourself money by accepting subsidized student loans (loans where you don't have to pay the interest while you are in school) rather than using your education award. Also, when working with a financial aid counselor, let them know that you have an education award, but that you would only like to use it if it's not going to cost you desirable financial aid.

A frequently asked question:

Can I use the ed award to purchase a computer?

The answer to this is maybe, but the question is definitely worth asking at your school's financial aid office. While many schools allow students to do this, it is at the discretion of the school's financial aid office. You can use your ed award to pay for expenses contained within the school's predetermined Cost of Attendance. Some schools will allow you to increase your Cost of Attendance in a given year to help pay for supplies and equipment, such as a computer. Your best bet: Ask at the school's financial aid office.

**A frequently asked question:
What if I am going to grad school?**

Typically, graduate students are offered less in grants and work study than undergraduates. To help pay for graduate study, it is best to seek out scholarships, fellowships, and teaching and/or research positions. Statistics show that a high percentage of graduate students take out loans to pay for school, and in this area, your service experience and Worksheet C can still help you. See the section below on how to select a favorable loan.

**A frequently asked question:
How do I select a favorable student loan?**

A financial aid may supply you with an offer sheet to help you meet your financial need in going to school, and that sheet may offer you a variety of different loans. When it comes to Stafford Loans, an important difference exists between "subsidized" and "unsubsidized" loans. A subsidized loan gets its interest paid while you are in school; an unsubsidized loan does not. In other words, a \$1,000 subsidized Stafford loan taken your first year of school will still total \$1,000 after you finish school. An unsubsidized Stafford loan will total \$1,000 plus all the interest that accrued while you were in school. How Worksheet C can help you is that by filling out correctly, you might get a higher subsidized loan amount offered to you than if you had not performed national service.³

The Official Word on the Education Award

Here now is the language that CNCS uses on its web site in regards to using your national service experience and education award to pay for

³ Regardless of whether your loan is subsidized or unsubsidized, as long as it is a qualifying student loan, you can put into forbearance while performing national service. When you complete your service commitment, the National Service Trust, will pay the interest that accrued on your loan(s) during your term of service. More information is available on the "Repaying your loan" handout.

school. If your financial aid officers have questions about AmeriCorps, show them the below material.⁴

"Current educational expenses," as authorized under 42 U.S.C. § 12604(c), include:

- * The "Cost of Attendance" for a degree- or certificate-granting program of study at a qualified school; and
- * Educational expenses for non-degree courses offered by qualified schools, such as continuing education courses.

Your school is qualified if it is a Title IV institution of higher education, as defined in section 101 of the Higher Education Act of 1965, as amended (20 U.S.C. 1001). This includes most colleges and universities.

⁴ This information can also be found at <http://www.americorps.org/members/resource/education/benefits.html>.

Making the Most of Your AmeriCorps Education Award

Non traditional uses of the education award

The AmeriCorps education award was designed primarily for use in paying for school tuition and/or repaying qualified student loans. Here are some nontraditional uses you may not be aware of:

1. Other types of schools. Generally, you can use the education award to go to any school that offers federal student aid (i.e., Stafford loans, et al). These schools are known through the Department of Education as Title IV.¹ If you would like to go to massage school, culinary school or a trade school, you can use the ed award as long as they are listed as Title IV and offer federal student aid. Sometimes, there will be two massage schools in a town and one of them will be listed as Title IV while the other is not. It might take some research for you to find the school that will accept your education award. There is a school in Wyoming called the National Outdoor Leadership School (NOLS) that isn't listed as Title IV, but accepts the ed award. You can learn more about it at <http://www.nols.edu/>

2. Going to school overseas. A number of schools in Canada, Mexico, and Europe are listed as Title IV. In other words, American students can receive U.S. financial aid to attend. At these schools, you can use your education award to pay for tuition. If a school is NOT listed as Title IV but you would still like to attend it while using your education award, you might be able to enroll in a school stateside and participate in an exchange program. That way, you are paying your tuition to a school inside the U.S. (The Evergreen State College, for example) while attending a school overseas (University of Vienna, for example). To make this option work, it will take a bit of effort on your part to find a program that will allow you to do this and to make it work.

¹ A Title IV school is any school that accepts U.S financial aid. This includes many schools that are abroad. You can find out whether a school is Title IV by using the "search" feature at this web site: <http://www.fafsa.ed.gov/FOTWWebApp/FSLookupServlet>

3. Non degree programs. You can also use your ed award to take classes at a community college or public university. You can take classes like guitar, swimming, photography, etc. If you take one or two classes per quarter at a community college, you can make your ed award last for years and bring yourself a great deal of enrichment.

4. Matching schools. A number of colleges and universities encourage AmeriCorps alumni to attend by offering a scholarship to former national service participants. The two schools in the Pacific Northwest that offer matching scholarships are The Evergreen State College and Central Washington University. The accompanying list includes schools that offer a matching scholarship and other AmeriCorps friendly schools.

Making the Most of Your AmeriCorps Education Award

"Repaying student loans"

What kind of loans will the ed award pay?

The national service legislation defines "qualified student loan" as a loan backed by the federal government under Title IV of the Higher Education Act (except PLUS Loans to parents of students), or under Titles VII or VIII of the Public Health Service Act. In addition, you may use your education award to repay a student loan made by a state agency, including state institutions of higher education. Education Awards cannot be used to repay any other type of loan, even if the loan was obtained for educational purposes. You can use your education award to repay defaulted student loans, as long as the loans meet the definition of "qualified student loan."

How can I make the most of my ed award when I apply it toward my loans?

When you use all or a portion of your education award to repay your student loans, it may serve your best interest to let the lender know in writing how you would like to pay. For example, if you submit your voucher to a lender like Sallie Mae without instructions, they will automatically advance your payments for you.

For example, if your payments were for \$100 a month and you submitted a voucher for \$4,725, Sallie Mae would advance you 47 payments, and you wouldn't have to make another payment for the next four years. An arrangement like this might suit your lifestyle nicely.

However, when this happens, Sallie Mae is applying your education award payment first toward **interest** and less toward **principal**. By providing written instructions to Sallie Mae when you submit your voucher, you can ask them to use your education award payment against the principal. What this will do is reduce your payments, as an example from \$100

down to \$65 a month. At the same time, you will need to start making payments right away but will pay far less over the life of the loan.

Should I consolidate my loans now while rates are still low?

If you can get a better interest rate by consolidating one or more “old” student loans, you may wish to consider this. Here are important points to keep in mind: 1) Make sure the “new” consolidated loan is a qualified student loan. Otherwise, you will not be able to use your education award to pay for it. 2) If you are consolidating during your service year while your loans are in forbearance, make sure you work with the National Service Trust (1-888-507-5962) at every step of the process. When you have finished the terms of your service, the Trust will pay the interest that accrued on your loans during your service year. If you consolidate mid-year (in other words, pay off old loans and create a new one), the Trust may not be able to pay your interest for you. 3) Read the fine print. When you take out a new student loan, make sure you know all the fees before you agree to the terms. If there is a \$500 loan origination fee on a \$1,000 loan, it might not make sense for you to take it, even if it gives you a better interest rate.

Forbearance procedures

AmeriCorps members who are earning an education award are uniquely eligible for one type of postponement called forbearance. During this forbearance based on national service, interest continues to accrue. If you successfully complete your term of service and earn an education award, the Trust will pay all or a portion of the interest that has accrued on your qualified student loans during this period. This accrued interest paid by the Trust, like the education award itself, is subject to income taxes.

To have repayment of your qualified student loans postponed, you must first officially enroll in an AmeriCorps project, which electronically sends enrollment information to the Trust. Then you must request "forbearance" from your loan holder, by completing the Forbearance Request for National Service form), and any additional information or forms that your loan holder may require. Complete one form for each of

your loan holders. Since there are several types of forbearances and deferments, tell your loan holders that you are requesting loan forbearance based on your AmeriCorps service.

Submit your Forbearance Request for National Service form and any other information required by your loan holder to the National Service Trust, which we will process and return to your loan holder. We can certify your AmeriCorps status, but only the loan holder can determine your eligibility for forbearance. Contact your loan holder if you have not heard from them within four weeks of submitting your information to the Trust.

Interest Accrual Payments procedures

To have the Trust pay all or a portion of the interest accrued on your qualified student loans, the Trust must receive verification from your project that you have completed your service and are eligible for an award. You and your lender also must complete the Interest Accrued During National Service form, which indicates the amount of interest accrued during your service period. Your loan holder sends this completed form to the Trust for payment. The Trust WILL NOT pay interest on qualified student loans if you fail to complete your term of service. Exceptions will be made only if you fail to complete your term of service for compelling personal circumstances. It is up to your individual program to determine compelling personal circumstances. Examples that might be considered are a serious illness or injury, death of your immediate family member, or early closing of your project.

The Trust will only pay interest on qualified student loans, as described earlier. Ask your loan holder if your student loan qualifies for other kinds of forbearance.

A frequently asked question:

Can I get forbearance if my loans are in default?

Most student loans that are in default are not eligible for forbearance. If you have loans that have gone into default before you begin your AmeriCorps service, you can attempt to negotiate an arrangement with

the loan holder (or collection agency) to bring the loan out of default so forbearance can be granted and interest paid.

The Official Word on the Education Award

Here now is the language that CNCS uses on its web site in regards to using your national service experience and education award to repay student loans. If your loan company has questions about AmeriCorps, show them the below material.¹

The national service legislation defines "qualified student loan" as a loan backed by the federal government under Title IV of the Higher Education Act (except PLUS Loans to parents of students), or under Titles VII or VIII of the Public Health Service Act. In addition, you may use your education award to repay a student loan made by a state agency, including state institutions of higher education. Education Awards cannot be used to repay any other type of loan, even if the loan was obtained for educational purposes. You can use your education award to repay defaulted student loans, as long as the loans meet the definition of "qualified student loan." Some of the most common federal qualified student loans are Stafford Loans, Perkins Loans, Federal Direct Loans, Supplemental Loans for Students (SLS), Federal Consolidated Loans, Health Education Assistance Loans (HEAL), Health Professions Student Loans (HPSL).

¹ This information can also be found at <http://www.americorps.org/members/resource/education/benefits.html>.

Making the Most of Your AmeriCorps Education Award

"General Questions"

Here are some answers to general questions regarding the AmeriCorps education award.

Can I give my education award to someone else?

While this question is often asked, the simple answer is no. The AmeriCorps program was designed to both serve the community and to serve those who perform service by offering them an educational opportunity in the form of the education award.

Can I extend the seven-year deadline for using the education award?

By law, AmeriCorps members have seven years within which to use their education awards. The period begins the date you complete your term of service in AmeriCorps. This time limit may be extended if certain circumstances have prevented the award from being used during this time period. These circumstances can include: 1) Performing another term of service in AmeriCorps or the Peace Corps during the seven year period; or 2) Being unavoidably prevented from using the award during the seven-year period. Examples of unavoidable situations which may warrant extensions include serious illness or disability, military service, death of a family member, or important service records being destroyed or inaccessible by the program. Any period of incarceration as a result of a conviction of a criminal offense will not be considered an unavoidable situation. Members must request the extension in writing before the end of the seven-year period. The request can be either by mail or can be made electronically. A notice will be mailed to all members prior to the end of their seven-year period reminding them of the expiration of their awards. For further information on how to request this extension, contact the National Service Trust toll-free at (888) 507-5962.

What is the National Service Trust?

The National Service Trust is a fund established by Congress that is used to pay for education awards and the interest that accrues on qualified student loans for those who have completed approved terms of service. The Office of the National Service Trust (the Trust) is the office within the Corporation that manages all the various functions related to the education award. **Trust Office Information.** If you have questions about the status of your education award, to request a duplicate voucher, or to change your address, you can contact the National Service Trust at 1-888-507-5962. The Trust does not provide suggestions or strategies on college financial aid or repaying student loans.

Making the Most of Your AmeriCorps Education Award

"Education Award on the Web"

Official AmeriCorps education award Web site

<http://www.americorps.org/members/edaward.html>

This Corporation-based Web site includes vital information on issues such as loan forbearance, the effect of the education award on taxes, and how the education award applies to financial aid. The information is dense but extremely useful, and your members can benefit from browsing the information and finding the information that applies to their individual scenarios.

AmeriCorps Alums/National AmeriCorps Association Education Center

http://www.lifetimeofservice.org/Content.cfm?content_id=60

The Web site of the National AmeriCorps Association (formerly AmeriCorps Alums) contains information on maximizing the use of the education award, financial aid, taxes, and a comprehensive list of the colleges and universities that augment the education award.

The Effective Education Award, National Service Fellow project, by Brandon Rogers

<http://www.etr.org/NSRC/pdfs/fellows/rogers.pdf>

This paper contains survey results, data, recommendations, and case studies based on Brandon Rogers' research on the education award topic.

Trust Office Information

The National Service Trust now has a toll free number available for members to call in and receive assistance. This number is staffed by live operators from 8:00–6:00 EST. Please call this number if you need assistance from the National Service Trust 1–888–507–5962. For duplicate vouchers, and report a change of address, you can e-mail to edawardvoucher@cns.gov.