

## **Sec 401: The College Cost Reduction and Access Act of 2007 (10-year Student Loan Public Service Forgiveness Program)**

Purpose: to encourage full-time employment in public service by offering an incentive in loan reduction within a shorter amount of time. Similar government programs had a 25 year timeline. Now this revised program has a 10-year timeline

### Contact Info:

- Federal Direct Loan Consolidation Center: 1800-557-7392; 1800-848-0979
- Contact your lender to learn how you can rollover your loans into this federal program
- NASFAA: National Association of Student Financial Aid Admissions

### Terms:

- Must be employed full-time in public service and make 120 (10 years) of consecutive monthly student loan payments
- Payments beginning after Oct. 1, 2007 count towards the program. Program officially begin July 1, 2008 (Payments made before Oct. 1, 2007 do not count)
- Must consolidate all federal loans through the Federal Direct Loan Consolidation Center. The ten-year clock begins ticking once you consolidate all your federal loans with Federal Direct.
- After 10 years of consecutive payments, the remaining interest and principal are forgiven. Note: Periods of forbearance and deferment do not count.

Who is a Public Service Employee: Must have full-time employment for 10 consecutive years. Employment in any of the following will allow you to remain eligible in this program. Note: you do not have to remain in the same job or same field for the full ten years. You do have to maintain full-time employment in one of the following for the full ten years.

- Government
- Military Service
- Police and Fire
- Public Health
- Public Education
- Public Child Care
- Social work in public child or family service agency
- Public Service for individuals with disabilities or elderly
- Public Interest Legal services
- Public Librarian and other school based services
- Native American Reservations- full time teachers
- Tax Exempt 501(c)(3)

### What Lender Must you Consolidate through:

- Federal Direct Loan Consolidation (see contact info above)
- Note: Borrowers who are already in direct loan program do not need to consolidate; Borrowers in FFEL program do need to consolidate

#### What Loans Can be Consolidated:

- Federal Stafford Loans (Subsidized and Unsubsidized)
- Federal PLUS loans (ie: Grad Plus): Eligible for this program, on and after **July 1, 2009**.  
Note: Income contingent repayment loans can be used for grad plus. (The Income Contingent Repayment (ICR) plan is designed to make repaying education loans easier for students who intend to pursue jobs with lower salaries, such as careers in public service. It does this by pegging the monthly payments to the borrower's income, family size, and total amount borrowed. The monthly payment amount is adjusted annually, based on changes in annual income and family size (*Citibank at www.finaid.org*)
- Perkins Loans are usually not eligible for public service loan forgiveness but if they are you must include roll them over into the Federal Direct Consolidation Loan--- then they will be eligible for this programs
- Parents PLUS loans- usually not eligible unless the parent who secured the loan is working as a full-time employee in public service. However, if these loans are able to be consolidated through this program note that only income contingent repayment loans will qualify, not income based repayment.
- Private loans from any lender are NOT eligible

#### Interest Rate

- Weighted average depending on your employment and student loan amount
- Option to consolidate up to 30 years
- Cap of 8.5%