

## Student Loan Deferment and Forbearance for VISTAs

Qualified student loans are also referred to as "federally backed student loans," these are guaranteed 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. The education award can be used to pay qualified student loans.

If you have federal student loans, you may be able to put your loans into forbearance or deferment, depending on the end-of-service option you choose.

### **Federal student loans + education award = forbearance**

Forbearance is a temporary postponement of principal loan payments.

- Loan interest continues to accrue, but when you complete your VISTA year of service, the National Service Trust will pay interest on your behalf.
- However, these payments are considered income so you will have to pay taxes on the amount of interest paid by the Trust.
- Reason for forbearance is "national service"
- You would choose forbearance if you go with the education award.

### **Federal student loans + stipend = deferment**

Deferment is a postponement of monthly loan payment(s).

- For subsidized loans, accrued interest will automatically be paid by the Department of Education if the loan is deferred.
- Your lender decides if you can defer your student loans during your year of service
- You'll need to obtain forms from your lender.
- Reason for deferment is "economic hardship"
- You may also be eligible for cancellation of part of your Perkins Loan
- You would choose deferment if you go with the stipend.

Regardless of which route you take for your student loans during your year of service, **contact your lender ahead of time** to make sure the type of loans you have are eligible for forbearance or deferment, and get details about what that means for you financially.

If you have additional questions consult the [Member Handbook](#) or contact the [Vista Member Support Unit \(VMSU\)](#).