

## **Kiss those student loans goodbye**

*Alison Damast*

*There are lots of programs that help grads repay their student loans. A few will even wipe the slate clean. But qualifying isn't easy.*

Shawn Agyeman was down on his luck last fall, having just lost his job as a research assistant at the University of Pittsburgh, his alma mater. With looming monthly student loan payments of around \$200 a month hanging over his head, the recent college graduate was starting to worry about how he'd meet his debt obligations, fearful that creditors would harass his parents—who co-signed his loans—if he couldn't come up with the money. Then he got a phone call from the director of a new grass-roots nonprofit that he says changed his life. Raymar Hampshire, co-founder of a volunteer group called SponsorChange.Org, presented Agyeman with a tempting offer: volunteer in the local Pittsburgh community several hours a week and receive a stipend that would help to cover his looming student loan payments.

"When I heard about it, I said: 'I'd almost be a fool not to do this,'" says Agyeman, 25, who signed up for the pilot program in the spring of 2009 and will be doing it again this fall, with plans to earn \$1,000 for his efforts. "I jumped all over it."

Agyeman is one of thousands of people saddled with student loan debt looking for innovative ways to meet their monthly payments. Their plight has become even more severe as unemployed recent college graduates lose their jobs or continue to have trouble landing one, running the risk of not being able to pay back their student loans or, in the worst-case scenario, defaulting. Fortunately, there is a raft of programs that have emerged in the past year or two that can either help students and recent graduates make their student loan debt more manageable or, in some cases, get the loans either partially or completely forgiven. Some of these programs are oriented towards specific careers—such as teaching or nursing—while others are open to recent graduates who meet certain income and eligibility requirements. Still others are open to just about anyone. Some programs, such as SponsorChange, help graduates repay a portion of their student debt. Other programs help students, graduate or undergraduate, avoid student loan debt entirely,

### Raising awareness

Learning about these options and mapping out a plan to take advantage of them is not always as easy as one might think. Many students simply aren't even aware that some of these programs exist, and, as a result, may take out hefty private loans that they could have avoided with a little strategic planning, says Edie Irons, a spokeswoman for the Project on Student Debt, a nonprofit that raises awareness about financial aid. She recommends that students mapping out their education paths learn as much as they can about the different type of loan forgiveness programs available to students before taking out any new loans or additional ones. One point to keep in mind: Most of these loan programs apply only to federal student loans, with very few private loans qualifying.

"People should definitely plan ahead and learn about the loan-forgiveness programs that are out there," she says. "Be sure that you are in a position yourself to qualify for them and then, if you can make it work, go for it."

Here's a roundup of debt-reduction strategies for recent graduates, current students, or those thinking about going back to school:

**Volunteer:** There are a number of volunteer programs that help people pay off their student loans, though most require a long-term commitment. Such programs could be a good short-

term option for college graduates who have been unable to find a job, says Mark Kantrowitz, a student loan expert who runs FinAid, an online provider of student aid information. "If you're unemployed right now, you might as well volunteer and get a little bit of money to pay back your students loans," he says.

One of the best-known volunteer options is AmeriCorps, a national network of service programs, which requires students to volunteer for a year full-time. In exchange, they get a small living stipend and, when the year is up, an education award of \$4,725 that can be applied to student loan debt or future education programs. The AmeriCorps program has seen a surge in popularity this year, receiving 177,099 online applications between November 2008 and July 2009, a 203% increase over the same period a year ago, says Siobhan Dugan, a spokeswoman for AmeriCorps. "We have seen the interest increase phenomenally," Dugan says, who says the spike is likely due to a combination of factors, including the economy and President Obama's call-to-service campaign.

Another popular program is the Peace Corps, which requires volunteers to make a two-year commitment to serve in a foreign country. Unlike AmeriCorps, the Peace Corps does not provide a student loan payment award. However, it does allow participants under several federal loan programs to defer their loan payments during their service. Those with federal Perkins loans are eligible for a partial cancellation benefit of 15% for one year of service up to 70% for four years. Another perk? The program provides participants with a \$6,000 readjustment allowance after the two-year term of service is completed, a portion of which can be used to repay student loan debt, according to the Peace Corps Web site.

If you don't have the time or resources to devote to a year or two of full-time volunteer work, look for programs locally that can help you pay off your student loan programs while volunteering. For example, the SponsorChange.Org program in Pittsburgh allows working young professionals to volunteer during their free time, in exchange for student loan stipends paid for by donors. To be eligible, students have to have a bachelor's degree and proof of student loan debt (participants have, on average, \$20,000 of debt), and they must fill out an online profile. The program puts the program's "volunteer fellows" in touch with local nonprofits—who pay a fee for the service—pairing them up with one that meets their interests and providing them with leadership training. This fall, 10 fellows will volunteer for 50 hours over a four-month period, earning \$1,000 each. "It's sort of a win-win situation for both the nonprofit and the young professional," says Hampshire, the program's CEO and founder.

Andrea Proie, 26, who works as a hydrogeologist in Pittsburgh, graduated from the University of Pittsburgh in 2006 with about \$40,000 in student loan debt. She did the SponsorChange.Org pilot program in April, serving as a volunteer manager at a local day camp, wellness center and senior citizen home, earning about \$400. As a fellow in the program this fall, she expects to take in an additional \$1,000, which she will put directly to her loan payments. "I like the feeling of helping people, so being able to go out and volunteer and get the added benefit of having your student loans paid back is just awesome," she says. Hampshire says his program, which is currently available only in Pittsburgh, is one that can eventually be replicated in major metropolitan areas across the country. "The student loan stipend is a big motivator," says Hampshire.

Become a teacher: Teaching has traditionally been one of the professions that offer students the most generous loan-forgiveness program. That has held true recently, with the introduction of several new federal loan programs aimed at easing loan burdens for those in the teaching profession.

One of the newer offerings is the Teach Grant, a program established by the College Cost Reduction & Access Act of 2007. It's geared towards teachers who commit to teaching in a public or private elementary or secondary school that serves students from low-income families, enabling participants to earn up to \$4,000 a year in grants that can be applied to student loan debt. The only catch? It requires a four-year commitment and if participants don't complete the program, the grants get converted into a Federal Direct Unsubsidized Stafford Loan—increasing the participant's total debt load instead of decreasing it. Some who've signed up are not aware of the consequences of withdrawing from the program, says FinAid's Kantrowitz, who recommends those interested should investigate the terms of the program thoroughly before committing. "The concern of a lot of financial aid administrators have is that students don't really know what they're getting into. They see the grant and don't hear about the loan until later," says FinAid's Kantrowitz.

For those wary of signing up for a program with such stringent conditions, there are other teaching programs that require a shorter time commitment in return for some student loan awards. Perhaps the most famous one is Teach For America, which this year selected 4,100 recent college graduates for training to serve as teachers in urban and rural schools for a two-year period. Those chosen receive a salary and benefits, plus an education award of \$4,725 for each year of service, which can be applied to student loans or future education.

Even if you decide not to apply for the Teach Grant or Teach For America, you may still be eligible for loan forgiveness. The Federal Perkins Loan Program has a provision that allows certain teachers to be eligible for loan cancellation of up to 100% if they teach at a low-income school or in certain high-need subject areas. Likewise, teachers with Stafford loans who teach full-time for five consecutive years at a low-income school may also be eligible to have up to \$17,500 in loans cancelled.

Switch careers: Whether you're starting a new undergraduate program, or returning to get a graduate degree, one thing that should factor into your post-grad career plans is the availability of loan forgiveness. "I think the creativity needs to come before the fact, not after the fact," says Kevin Walker, CEO of Simpletuition.com, a student lending Web site. "People need to think more about that, so maybe they can then go into an area where this forgiveness is available to them."

Fortunately, with the recent passage of the Public Service Loan Forgiveness Program, also a creation of the College Cost Reduction Act of 2007, people from a wide variety of careers can get their debt excused after 10 years of payments. People eligible for the program include teachers, government workers, social workers, law enforcement officers, nonprofit workers and those who hold jobs at public universities and public hospitals. The good news for people eligible for this program? If they work full-time in their respective field for 10 years, their student loan debt will be forgiven at that time period. The program is expected to be popular, but it's still too soon to tell how many people are taking advantage, says Irons, of the Project for Student Debt. "There are lot of people positioning themselves to take advantage of it, but it is still too early yet to know how many people will sign up," says Irons.

Participants in the Public Service Loan Forgiveness Program can now make monthly loan payments through the new Income-based Repayment initiative, rolled out in July, which lets borrowers with student loans enroll in a plan that lets them cap their payments based on income and family size. It's a program geared towards those with a high debt load and low income. For most borrowers, the loan payments will be less than 10% of their income, and will be even less for those with low incomes, says Irons. Worth noting: this program is open to anyone with federal loans, regardless of what profession they are employed in.

Those looking for a field with especially hefty student loan-forgiveness options should look closely at the programs available to nurses and other healthcare professionals, Irons says. For example, the National Health Service Corps Loan Repayment program provides up to \$50,000, tax-free, in student loan forgiveness, for primary care health-care professionals—a category that includes dentists, psychologists, and physician assistants—who agree to work for two years at an approved site in an area designated a "health professional shortage area," typically a public hospital or clinic. "For two years of service, that's a pretty generous program," says Irons.

**Get retrained:** A number of states have received millions in federal stimulus funding that allows unemployed workers to participate in job training programs at local community colleges or universities, often tuition-free. One of the most successful retraining programs to date is recession-battered Michigan's No Worker Left Behind program, which provides up to two years worth of tuition, up to \$5,000, for laid-off workers looking to get retrained in a high-demand occupation such as nursing, emerging industries, or an entrepreneurship program. As of June 30, 81,667 had participated in the program, according to a state fact sheet on the program.

If you've been laid off recently and are looking to gain some new skills, short-term retraining programs at community colleges may be a more sensible option than going back to graduate school full-time, says FinAid's Kantrowitz. In some cases, unemployed workers may qualify for dislocated worker training funds that will pay for some or all of the tuition. He recommends that people interested in these opportunities start off by looking at the Web sites like America's Service Locator. "Retraining programs are much cheaper than four-year institutions, so if they have the right program for you and you don't need the full degree, you can get skills in a new area," says FinAid's Kantrowitz. "Often, you just need the skills and don't necessarily need to have a degree."

**Join the military :** The military has always offered a number of programs that help people pay off or avoid taking out student loans. The army's Loan Repayment Program is perhaps the best known: for every year of service, new recruit get a portion of their student debt repaid. For those in the Army and the Navy, loans can be repaid up to \$65,000. The Air Force's program, the College Loan Repayment Program, pays up to \$10,000 a year per recruit.

One new program that those considering joining the military will want to take note of is the Yellow Ribbon Program, created under last year's GI Bill. This is not a loan-forgiveness program, but it does allow post-9/11 veterans to get full tuition and fees, plus housing stipends, covered at the most expensive public four-year university in their state. Some private colleges and universities have signed on as well, agreeing to pay any excess costs not covered by the program. "It is essentially a tuition waiver that they can take to any public college and also to any private college that agrees to accept it in lieu of tuition," says FinAid's Kantrowitz. "It seems like it is going to be very popular."

**Tap employer benefits:** Those fearful of racking up student loan debt may want to go the backhand route and see if their employer will pay the cost of graduation school. Some companies, even in this economy, still will pay 100% of the cost of tuition and fees for graduate school for promising employees. For example, professional services firm KPMG, tech company IBM, and even the IRS are a few of the employers that will completely foot the bill for a graduate education. Other companies will often partially sponsor a student and partially reimburse some of their education costs.

The only caveat? Students whose companies pay for their education are typically expected to go back to the firm after their education is completed, leaving a little less wiggle room for job-hopping. No matter what company you work for, it's always worth asking if they will help you

pay for graduate school or any additional training that will help you move forward in your careers, says Irons, of the Project for Student Debt. "It's more efficient for a company to keep a valued employee than to lose you to graduate school and have to hire someone else," says Irons. "If you have a company that might be able to do that and you want to stay with them, it's always worth asking."

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