Federal Student Aid

Income-Based Repayment Plan for the Direct Loan and FFEL Programs

www.studentaid.ed.gov

What is Income-Based Repayment?

Income-Based Repayment (IBR) is a repayment plan for the major types of federal student loans that caps your required monthly payment at an amount intended to be affordable based on your income and family size.

What federal student loans are eligible to be repaid under an IBR plan?

All Stafford, PLUS, and Consolidation Loans made under either the Direct Loan or FFEL Program are eligible for repayment under IBR, EXCEPT loans that are currently in default, parent PLUS Loans (PLUS Loans that were made to parent borrowers), or Consolidation Loans that repaid parent PLUS Loans. The loans can be new or old, and for any type of education (undergraduate, graduate, professional, job training).

Who is eligible for IBR?

You may enter IBR if your federal student loan debt is high relative to your income and family size. While your loan servicer will perform the calculation to determine your eligibility, you can use the U.S. Department of Education's IBR calculator at www.studentaid.ed.gov/ibr to estimate whether you would likely qualify for the IBR plan. The calculator looks at your income, family size, and state of residence to calculate your IBR monthly payment amount. If that amount is lower than the monthly payment you would be required to pay on your eligible loans under a 10-year standard repayment plan, based on the greater of the amount you owed on your loans when they initially entered repayment or the amount you owe at the time you request IBR, then you are eligible to repay your loans under IBR.

If you are married and you and your spouse le a joint federal tax return, and if your spouse also has IBR-eligible loans, your spouse's eligible loan debt is taken into account when determining whether you are eligible for IBR. In this case, the required monthly payment amount under a 10-year standard repayment plan is determined based on the combined amount of your IBR-eligible loans and your spouse's IBR-eligible loans, using the greater of the amount owed when the loans initially entered repayment or the amount owed at the time you or your spouse request IBR. If the combined monthly amount you and your spouse would be required to pay under IBR is lower than the combined monthly amount you and your spouse would pay under a 10-year standard repayment plan, you and your spouse are eligible for IBR.

What are the bene ts of IBR?

- PAY AS YOU EARN: Under IBR, your monthly payment amount will be less than the amount you would be required to pay under a 10-year standard repayment plan, and may be less than under other repayment plans. Although lower monthly payments may be of great bene t to a borrower, these lower payments may result in a longer repayment period and additional accrued interest.

- INTEREST PAYMENT BENEFIT: If your monthly IBR payment amount does not cover the interest that accrues on your loans each month, the government will pay your unpaid accrued interest on your Subsidized Stafford Loans (either Direct Loan or FFEL) for up to three consecutive years from the date you began repaying your loans under IBR.

- 25-YEAR CANCELLATION: If you repay under the IBR plan for 25 years and meet certain other requirements, any remaining balance will be canceled.

- 10-YEAR PUBLIC SERVICE LOAN FORGIVENESS: If you work in public service, on-time, full monthly payments you make under IBR (or certain other repayment plans) while employed full-time in a public service job will count toward the 120 monthly payments that are required to receive loan forgiveness through the Public Service Loan Forgiveness Program. Through this program, you may be eligible to have the remaining balance of your Direct Loans forgiven after you have made the 120 qualifying payments as described above. The Public Service Loan Forgiveness Program is available only for Direct Loans. If you have FFEL loans, you may be eligible to consolidate them into the Direct Loan Program to take advantage of the Public Service Loan Forgiveness Program. However, only the on-time, full monthly payments made under IBR or certain other repayment plans while you are a Direct Loan borrower will count toward the required 120 monthly payments. For more information about this program, review the Department's Public Service Loan Forgiveness Program fact sheet at www.studentaid.ed.gov/pubs.

Are there any disadvantages to repaying under IBR?

- YOU MAY PAY MORE INTEREST: The faster you repay your loans, the less interest you pay. Because a reduced monthly payment in IBR generally extends your repayment period, you may pay more total interest over the life of the loan than you would under other repayment plans.

- YOU MUST SUBMIT ANNUAL DOCUMENTATION: To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not provide the documentation, your monthly payment amount will be the amount you would be required to pay under a 10-year standard repayment plan, based on the amount you owed when you began repaying under IBR.

How is the IBR amount determined?

Under IBR, the amount you are required to repay each month is based on your Adjusted Gross Income (AGI) and family size. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. The annual IBR repayment amount is 15 percent of the difference between your AGI and 150 percent of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly IBR repayment amount.

The following chart shows the maximum IBR monthly payment amounts for a sample range of incomes and family sizes using the Poverty Guidelines that were in effect as of January 26, 2012, for the 48 contiguous states and the District of Columbia.

IBR Monthly Payment Amounts

	Family Size						
Annual Income	1	2	3	4	5	6	7
$10,000	$0	$0	$0	$0	$0	$0	$0
$15,000	$0	$0	$0	$0	$0	$0	$0
$20,000	$41	$0	$0	$0	$0	$0	$0
$25,000	$103	$29	$0	$0	$0	$0	$0
$30,000	$166	$91	$17	$0	$0	$0	$0
$35,000	$228	$154	$80	$5	$0	$0	$0
$40,000	$291	$216	$142	$68	$0	$0	$0
$45,000	$353	$279	$205	$130	$56	$0	$0
$50,000	$416	$341	$267	$193	$119	$44	$0
$55,000	$478	$404	$330	$255	$181	$107	$33
$60,000	$541	$466	$392	$318	$244	$169	$95
$65,000	$603	$529	$455	$380	$306	$232	$158

After the initial determination of your eligibility for IBR, your payment may be adjusted each year based on changes in your income and family size, but your required monthly payment amount will never be more than what you would be required to pay under a 10-year standard repayment plan, based on your outstanding loan balance on the date you began repaying the loans under IBR (unless you choose to exit the IBR program).

Are there examples of borrowers who are eligible for IBR and borrowers who are not?

Example 1: Based upon the IBR repayment formula, a borrower with a family size of one and an AGI of $30,000 would have an IBR calculated payment amount of $166 per month. If this borrower had total eligible student loan debt of $25,000 when the loans initially entered repayment, and the loan balance had increased to $30,000 when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on the higher of the two amounts. Using an interest rate of 6.8%, the 10-year standard payment amount for $30,000 would be $345. Since the $166 IBR calculated amount is less than the 10-year plan amount of $345, the borrower would be eligible to repay under IBR at a monthly amount of $166. However, if this borrower's total eligible loan debt used to calculate the 10-year standard amount was only $10,000, the 10-year standard payment would be $115 per month, which is less than the IBR amount of $166. Therefore, the borrower would not be eligible for IBR.

Example 2: A borrower with a family size of four and income of $50,000 would have an IBR calculated monthly payment amount of $193. If this borrower had total eligible student loan debt of $20,000 when the loans initially entered repayment, and this amount had not changed when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on $20,000. Using an interest rate of 6.8%, the 10-year standard payment amount for $20,000 would be $230. Since the $193 IBR calculated amount is less than the 10-year plan amount of $230, the borrower would be eligible to repay under IBR at a monthly amount of $193. However, if the borrower's total eligible loan debt used to calculate the 10-year standard amount was only $15,000, the 10-year calculated amount would be $173 per month, which is less than the IBR amount of $193. This borrower would not be eligible for IBR.

For more information on other repayment plans and calculators, go to the Repayment Plans and Calculators page on the Federal Student Aid website at www.studentaid.ed.gov.

How do borrowers apply for IBR?

For more information and to apply for IBR, contact the servicer(s) of your student loan(s).

This fact sheet provides only a summary of the basic requirements of the Income-Based Repayment Plan. For more detailed information, review the Department's IBR Questions and Answers document at www.studentaid.ed.gov/ibr.

Updated March 2012

What is Pay As You Earn?

Pay As You Earn is a repayment plan for eligible Direct Loans that is designed to limit your required monthly payment to an amount that is affordable based on your income and family size.

What federal student loans are eligible to be repaid under the Pay As You Earn plan?

Only loans made under the Direct Loan Program are eligible for repayment under Pay As You Earn. Eligible loans are Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans that did not repay any PLUS loans that were made to parent borrowers. Loans that are currently in default, Direct PLUS Loans made to parents, Direct Consolidation Loans that repaid PLUS loans made to parents, and Federal Family Education Loan (FFEL) Program loans are NOT eligible for repayment under Pay As You Earn.

Who is eligible for Pay As You Earn?

You must be a new borrower. You are a new borrower if you had no outstanding balance on a Direct Loan or FFEL Program loan as of Oct. 1, 2007, or if you had no outstanding balance on a Direct Loan or FFEL Program loan when you received a new Direct Loan or FFEL Program loan on or after Oct. 1, 2007. In addition, you must have received a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or Direct PLUS Loan for graduate or professional students on or after Oct. 1, 2011, or you must have received a Direct Consolidation Loan based on an application that was received on or after Oct. 1, 2011.

In addition to your being a new borrower, your federal student loan debt must be high relative to your income. While your loan servicer will perform the calculation to determine your eligibility for Pay As You Earn, you can use the U.S. Department of Education's Pay As You Earn calculator at **http://studentaid.ed.gov/PayAsYouEarn** to estimate whether you would likely qualify for the Pay As You Earn plan. The calculator looks at your income, family size, and state of residence to calculate your Pay As You Earn monthly payment amount. If that amount is lower than the monthly payment you would be required to pay on your eligible loans under a 10-year Standard Repayment Plan, then you are eligible to repay your loans under the Pay As You Earn plan.

If you are married and you and your spouse file a joint federal tax return, and if your spouse also has eligible federal student loans, your spouse's eligible loan debt is taken into account when determining whether you are eligible for Pay As You Earn. In this case, the required monthly payment amount under a 10-year Standard Repayment Plan is determined based on the combined amount of your and your spouse's eligible loans. If the combined monthly amount you and your spouse would be required to pay under Pay As You Earn is lower than the combined monthly amount you and your spouse would pay under a 10-year Standard Repayment Plan, you and your spouse are eligible for Pay As You Earn.

Although only Direct Loans may be repaid under Pay As You Earn, your (and, if you are married and file a joint federal tax return, your spouse's) eligible FFEL Program loans will also be taken into account when determining whether you qualify for Pay As You Earn based on the amount of your federal student loan debt relative to your income. For this purpose, eligible FFEL Program loans are Subsidized and Unsubsidized Federal Stafford Loans, FFEL PLUS Loans for graduate or professional students, and FFEL Consolidation Loans that did not repay any PLUS loans for parents. FFEL Program loans that are currently in default, FFEL PLUS Loans for parents, and FFEL Consolidation Loans that repaid PLUS loans for parents are not counted as eligible loan debt.

What are the benefits of Pay As You Earn?

- LOWER SCHEDULED MONTHLY PAYMENT: Under Pay As You Earn, your monthly payment amount will be less than the amount you would be required to pay under a 10-year Standard Repayment Plan, and may be less than under other repayment plans.

- INTEREST PAYMENT BENEFIT: If your monthly Pay As You Earn payment amount does not cover the full amount of interest that accrues on your loans each month, the government will pay your unpaid accrued interest on your Direct Subsidized Loans (and on the subsidized portion of your Direct Consolidation Loans) for up to three consecutive years from the date you begin repaying your loans under Pay As You Earn.

- 20-YEAR CANCELLATION: If you repay under the Pay As You Earn plan, any remaining balance will be forgiven after 20 years of qualifying repayment.

- 10-YEAR PUBLIC SERVICE LOAN FORGIVENESS: On-time, full monthly payments you make under Pay As You Earn (or certain other repayment plans) while employed full-time in a public service job will count toward the 120 monthly payments that are required to receive loan forgiveness through the Public Service Loan Forgiveness (PSLF) Program. Through this program, you may be eligible to have the remaining balance of your Direct Loans forgiven after you have made the 120 qualifying payments as described above. PSLF is available only for Direct Loans, but you may be eligible to consolidate FFEL Program loans into the Direct Loan Program to take advantage of PSLF. For more information, visit **StudentAid.gov/publicservice**.

Are there any disadvantages to repaying under Pay As You Earn?

- YOU MAY PAY MORE INTEREST: The faster you repay your loans, the less interest you pay. Because a reduced monthly payment under the Pay As You Earn plan generally extends your repayment period, you may pay more total interest over the life of the loan than you would under other repayment plans.

- YOU MUST SUBMIT ANNUAL DOCUMENTATION: To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not provide the documentation, your monthly payment amount will be the amount you would be required to pay under a 10-year Standard Repayment Plan, based on the amount you owed when you began repaying under Pay As You Earn.

How is the Pay As You Earn amount determined?

Under Pay As You Earn, the amount you are required to repay each month is based on your adjusted gross income (AGI) and family size. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. The annual Pay As You Earn repayment amount is 10 percent of the difference between your AGI and 150 percent of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly Pay As You Earn repayment amount.

The following chart shows the maximum Pay As You Earn monthly payment amounts for a sample range of incomes and family sizes using the Poverty Guidelines that were in effect as of Jan. 26, 2012, for the 48 contiguous states and the District of Columbia.

Pay As You Earn Monthly Payment Amounts

	Family Size						
Annual Income	1	2	3	4	5	6	7
$10,000	$0	$0	$0	$0	$0	$0	$0
$15,000	$0	$0	$0	$0	$0	$0	$0
$20,000	$27	$0	$0	$0	$0	$0	$0
$25,000	$69	$19	$0	$0	$0	$0	$0
$30,000	$110	$61	$11	$0	$0	$0	$0
$35,000	$152	$103	$53	$0	$0	$0	$0
$40,000	$194	$144	$95	$45	$0	$0	$0
$45,000	$235	$186	$136	$87	$37	$0	$0
$50,000	$277	$228	$178	$129	$79	$30	$0
$55,000	$319	$269	$220	$170	$121	$71	$33
$60,000	$360	$311	$261	$212	$162	$113	$95
$65,000	$402	$353	$303	$254	$204	$155	$105

After the determination of your eligibility for Pay As You Earn, your payment may be adjusted each year based on changes in your income and family size. However, as long as you remain on the Pay As You Earn repayment plan, your required monthly payment amount will never be more than what you would be required to pay under a 10-year Standard Repayment Plan.

Are there examples of borrowers who are eligible for Pay As You Earn and borrowers who are not?

Example 1: Based upon the Pay As You Earn repayment formula, a borrower with a family size of one and an AGI of $30,000 would have a Pay As You Earn calculated payment amount of $110 per month. If this borrower had total eligible student loan debt of $25,000 when the loans initially entered repayment, and the loan balance had increased to $30,000 when the borrower requested Pay As You Earn, the calculated monthly repayment amount under a 10-year standard plan would be based on the higher of the two amounts. Using an interest rate of 6.8%, the 10-year standard payment amount for $30,000 would be $345. Since the $110 Pay As You Earn calculated amount is less than the 10-year plan amount of $345, the borrower would be eligible to repay under Pay As You Earn at a monthly amount of $110. However, if this borrower's total eligible loan debt used to calculate the 10-year standard amount was only $5,000, the 10-year standard payment would be $58 per month, which is less than the Pay As You Earn amount of $110. Therefore, the borrower would not be eligible.

Example 2: A borrower with a family size of four and income of $50,000 would have a Pay As You Earn calculated monthly payment amount of $129. If this borrower had total eligible student loan debt of $20,000 when the loans initially entered repayment, and this amount had not changed when the borrower requested Pay As You Earn, the calculated monthly repayment amount under a 10-year standard plan would be based on $20,000. Using an interest rate of 6.8%, the 10-year standard repayment amount for $20,000 would be $230. Since the $129 Pay As You Earn calculated amount is less than the 10-year plan amount of $230, the borrower would be eligible to repay under Pay As You Earn at a monthly amount of $129. However, if the borrower's total eligible loan debt used to calculate the 10-year standard amount was only $10,000, the 10-year calculated amount would be $115 per month, which is less than the Pay As You Earn amount of $129. Therefore, the borrower would not be eligible.

For more information on other repayment plans and links to calculators, visit **StudentAid.gov/repay-loans/understand/plans**.

How do borrowers apply for Pay As You Earn?

This fact sheet provides only a summary of the basic requirements of the Pay As You Earn Repayment Plan. For more information and to apply for Pay As You Earn, contact the servicer(s) of your student loan(s). Not sure who services your loan? Check **www.nslds.ed.gov**.

Updated November 2012

Federal Student Aid
Loan Forgiveness for Public Service Employees

www.studentaid.ed.gov/publicservice

March 2012

What is the Public Service Loan Forgiveness (PSLF) Program?

In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers. Since you must make 120 monthly payments on your eligible federal student loans after October 1, 2007 before you qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017.

What federal student loans are eligible for forgiveness under the PSLF Program?

Any non-defaulted loan made under the William D. Ford Federal Direct Loan Program (Direct Loan Program) is eligible for loan forgiveness. (See below for information on how non-Direct Loans may be eligible.) The Direct Loan Program includes the following loans:

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)—for parents and graduate or professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

NOTE: *To qualify for forgiveness of a parent PLUS Loan you, the parent borrower, not the student on whose behalf you obtained the loan, must be employed by a public service organization.*

How can other federal student loans become eligible for loan forgiveness under the PSLF Program?

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may become eligible for forgiveness if they are consolidated into a Direct Consolidation Loan. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

The following loans may be consolidated into the Direct Loan Program:

- Federal Family Education Loan (FFEL) Program loans, which include
  - Subsidized Stafford Loans
  - Unsubsidized Stafford Loans
  - Federal PLUS Loans—for parents and graduate or professional students
  - Federal Consolidation Loans (excluding joint spousal consolidation loans)
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

NOTE: *To consolidate a Federal Perkins Loan or Health Professions or Nursing Loan into the Direct Loan Program, you must also consolidate at least one FFEL Program loan or Direct Loan. If you are unsure about what kind of loans you have, you can find information about your federal student loans in the U.S. Department of Education's National Student Loan Data System at www.nslds.ed.gov.*

What are the borrower eligibility requirements for loan forgiveness under the PSLF Program?

- You must not be in default on the loans for which forgiveness is requested.
- You must be employed full time by a public service organization
  - when making each of the required 120 monthly loan payments (certain repayment conditions apply—see below);
  - at the time you apply for loan forgiveness; and
  - at the time the remaining balance on your eligible loans is forgiven.

What are the specific loan repayment requirements for loan forgiveness under the PSLF Program?

- You must have made 120 separate monthly payments after October 1, 2007, on the Direct Loan Program loans for which forgiveness is requested. Earlier payments do not count toward meeting this requirement. Each of the 120 monthly payments must be made for the full scheduled installment amount within 15 days of the due date.

What are the specific loan repayment requirements for loan forgiveness under the PSLF Program? (Continued from previous page)

- The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans:
    - Income Based Repayment (IBR) Plan (not available to parent Direct PLUS Loan borrowers)
    - Income Contingent Repayment Plan (not available to parent Direct PLUS Loan borrowers)
    - Standard Repayment Plan with a 10-year repayment period
    - Any other Direct Loan Program repayment plan; but only payments that are at least equal to the monthly payment amount that would have been required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments

For more information about the repayment plans available in the Direct Loan program, please visit www.studentaid.ed.gov/repaying.

IMPORTANT NOTE: *The PSLF Program provides for forgiveness of the remaining balance of a borrower's eligible loans after the borrower has made 120 qualifying payments on those loans. In general, only borrowers who are making reduced monthly payments through the Direct Loan Income Contingent or Income Based repayment plans will have a remaining balance after making 120 payments on a loan.*

What types of public service jobs will qualify a borrower for loan forgiveness under the PSLF Program?

You must be employed full time (in any position) by a public service organization, or must be serving in a full-time AmeriCorps or Peace Corps position. Organizations that meet the definition of "public service organization" for purposes of the PSLF Program are listed below.

- A government organization (including a federal, state, local, or tribal organization, agency, or entity; a public child or family service agency; or a tribal college or university);
- A non-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (includes most not-for-profit private schools, colleges, and universities);
- A private, non-profit organization (that is not a labor union or a partisan political organization) that provides one or more of the following public services:
    - Emergency management
    - Military service
    - Public safety
    - Law enforcement
    - Public interest law services
    - Early childhood education (including licensed or regulated health care, Head Start, and state-funded pre-kindergarten)
    - Public service for individuals with disabilities and the elderly
    - Public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support occupations)
    - Public education
    - Public library services
    - School library or other school-based services

NOTE: *When determining full-time public service employment at a not-for-profit organization, you may not include time spent participating in religious instruction, worship services, or any form of proselytizing.*

How can I keep track of my eligibility?

The U.S. Department of Education has created the Employment Certification for Public Service Loan Forgiveness form and a process to help you monitor your progress toward making the 120 qualifying payments necessary to apply for PSLF. You should complete the form, including your employer's certification of employment, and submit it to FedLoan Servicing, the PSLF servicer, at the address listed in Section 6 of the Employment Certification form.

The form allows you to get your employer's certification of employment while you are still employed at that organization or shortly after leaving. The process allows you to receive confirmation of qualifying employment and Direct Loan payment eligibility. You may also submit the form less frequently than annually to cover more than one year's employment or for more than one employer.

While use of the form and process is not required, it will help you keep track of your progress toward meeting the PSLF eligibility requirements. If you do not periodically submit the form, you will still be required to submit a form for each qualifying employer at the time you apply for forgiveness and when forgiveness is granted.

Where can I find additional information?

This fact sheet provides only a summary of the basic requirements of the PSLF Program. For more detailed information, including how to monitor your progress toward qualifying for PSLF, review the PSLF Questions and Answers document at www.studentaid.ed.gov/publicservice or contact your Direct Loan servicer.

MY ACTION PLAN—Loan Repayment Worksheet

Name:	Date:

Use the steps outlined below to help you develop your loan repayment action plan. Note that all information is advisory and subject to change. In particular, your total debt will change as interest accrues, payments are made, or other adjustments are made to your loan balances. The servicer(s) of your loan(s) will determine the date your loan(s) enter repayment and calculate your actual monthly payments when repayment begins. Any estimates provided here are advisory. You also should think about your **FINANCIAL GOALS** and estimate your **PERSONAL BUDGET** so that you can determine how much you can afford to pay on your loans each month.

STEP 1. Review your loan history.

You can use the ***National Student Loan Data System*** *at: NSLDS.ed.gov to identify what loans you have borrowed, how much you owe, and what organization is servicing your loan(s).*

LOAN TYPE	LOAN PRINCIPAL	INTEREST RATE	ACCRUED INTEREST as of: ______________	TOTAL OWED as of: ______________
Stafford *(subsidized)*		6.8%*		
Stafford *(unsubsidized)*				
Grad PLUS-Direct		7.9%*		
Grad PLUS-FFEL		8.5%*		
Perkins *(subsidized)*		5.0%		
Consolidation				
Other: ________________				
Other: ________________				
Other: ________________				
TOTAL				

** Fixed rate effective for Stafford/Grad PLUS loans first disbursed to graduate/professional students on or after July 1, 2006.*

STEP 2: Determine when repayment begins. *(More information is available at: StudentAid.gov.)*

Expected graduation/separation date: ____

LOAN TYPE	START OF REPAYMENT	COMMENTS
Stafford (Sub and Unsub)		**AUTOMATIC 6-MONTH GRACE PERIOD** before loan repayment begins.
Grad PLUS: • Pre-7/1/2008 • Post-7/1/2008		Grad PLUS Loans first disbursed prior to July 1, 2008: **NO GRACE PERIOD.** Loan enters repayment when it is fully disbursed. It is in an in-school deferment while you are in school. Repayment resumes on the loan when you graduate and, therefore, the in-school deferment ends. ***See Step 4 for payment relief options.*** Grad PLUS Loans first disbursed on/after July 1, 2008: **NO GRACE PERIOD.** Loan enters repayment when it is fully disbursed. It is in an in-school deferment while you are in school. Then the loan is eligible for an **automatic 6-month post-enrollment DEFERMENT** once you are no longer enrolled at least half time to align repayment of the loan with that of your Stafford Loans. You may want to contact your loan servicer just prior to graduation to verify that you will receive this deferment automatically.
Perkins		**AUTOMATIC 9-MONTH GRACE PERIOD** before loan repayment begins. Also has 6-month post-deferment grace period (contact servicer for details).
Consolidation		**NO GRACE PERIOD.** Loan enters repayment as soon as it is fully disbursed. It is in an in-school deferment while you are in school. Repayment resumes on the loan when you graduate and, therefore, the in-school deferment ends. ***See Step 4 for payment relief options.***
Other loans:		

STEP 3: Estimate monthly payments. *(Calculators are available, e.g., go to: **StudentAid.gov**.)*

Assumes **Stafford/Grad PLUS/Consolidation** debt = $_____________________ as of ______________________ at ___________%

	REPAYMENT PLANS *(Stafford, Grad Plus and Consolidation Loans)*	MAXIMUM PAYMENT PERIOD	ESTIMATED MONTHLY PAYMENT	PAYMENT NUMBER	ESTIMATED TOTAL AMOUNT PAID
Based on DEBT	Standard *(fixed payments)*	10 years	$	All	$
	Graduated	10 years	$	1-24 *(interest only)*	$
			$	25-120	
	Extended *(fixed payments)*	25 years	$	All	$
	Extended *(graduated payments)*	25 years	$	1-24 *(interest only)*	$
			$	25-300	
Based on INCOME	Income Sensitive *(FFEL)* Income Contingent (ICR) *(Direct)*	15 years/ 25 years	$	1-12	$
			$		
	Income Based (IBR)	25 years	$	1-12	$
			$		
	Pay As You Earn (PAYE) *(Direct)*	20 years	$	1-12	$
			$		
Action plan:					

Other Loans:

Federal Perkins Loan(s): Amount owed = $__________ Estimated monthly payment = $__________ Term = __________ years

Other ______________: Amount owed = $__________ Estimated monthly payment = $__________ Term = __________ years

Other ______________: Amount owed = $__________ Estimated monthly payment = $__________ Term = __________ years

STEP 4: Consider contingency planning. *(More information is available at: StudentAid.gov.)*

PAYMENT RELIEF OPTIONS	
Allows you to:	**Temporarily postpone repayment or reduce the amount you are required to pay each month once your loan is in repayment, if eligible.** • **DEFERMENT** temporarily postpones monthly payments, if eligible. Six deferment options currently are available to borrowers as of 7/1/2003. Subsidized loans are subsidized during deferment. • **FORBEARANCE** is an option when experiencing financial hardship if you don't qualify for a deferment. Payments are postponed or reduced. No interest subsidy. • **Choose or switch to a different repayment plan**—For example INCOME-BASED REPAYMENT (IBR) or PAY AS YOU EARN (PAYE) may provide the payment relief you need without using deferment or forbearance if your household adjusted gross income (AGI) is low. You may receive some interest subsidy on subsidized Stafford Loans if the amount of your required monthly IBR or PAYE payment does not cover all the interest accruing on your subsidized Stafford Loans during the first 3 consecutive years you are in repayment.
To apply:	**Contact the loan servicer BEFORE you miss a payment and explain WHY you need payment relief to determine what option best meets your needs.** • Complete required application materials. • Continue making required monthly loan payments until notified otherwise by loan servicer.
When to apply:	**As soon as you realize you need payment relief (and before you miss a required payment).**
Action plan:	

CONSOLIDATION – Refinancing option for eligible federal student loans	
Allows you to:	• Refinance multiple eligible federal student loans into a new, single federal student loan with a single lender and single servicer for increased convenience during repayment. • Refinance FFEL/Perkins loan(s) in the Federal Direct Loan Program so that the debt can qualify for PAYE as well as the Public Service Loan Forgiveness (PSLF) program. • Refinance Stafford loan(s) borrowed prior to July 1, 2006 that have a VARIABLE interest rate into a FIXED-rate Federal Direct Consolidation Loan. • Reduce the fixed interest rate on an FFEL Grad PLUS Loan from 8.5% to 8.25% by refinancing your existing FFEL Grad PLUS Loans with a Federal Direct Consolidation Loan. • Obtain a longer repayment period than would otherwise exist based on your total student loan debt if you need to reduce the monthly payment and no other repayment options work for you (including the Extended Repayment Plan).
To apply:	**Go to: *LoanConsolidation.ed.gov*** (Select "Borrower Services")
When to consolidate:	**When loan(s) are in grace, repayment, deferment or forbearance.**
Action plan:	

TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing Your Debt Successfully

Spring 2013

Jeffrey Hanson
Education Services

**University of Wisconsin
Law School**

Your Action Plan
4 Steps

1. Take stock of your loan portfolio
2. Determine when repayment begins
3. Pick your repayment plan
4. Prepare for contingencies

Step 1

Take stock of your loan portfolio

What do you need to know?

For each loan in your portfolio:

- Type of loan
- Interest rate
- Amount owed
- Who to repay

NSLDS.ed.gov

A Useful Resource

To access, enter:

- SSN
- First two letters of last name
- Birthdate
- Dept. of Ed PIN

Who do you repay?

You should know:

- Roles of lender/holder and servicer
  - You will be working with the **SERVICER**
- How to contact them
- Value of NSLDS

How much do you owe?

Depends on:

- Amount borrowed (original principal)
- Whether loan(s) were subsidized or unsubsidized
- Interest rate(s)
- Amount of accrued interest on unsubsidized loan(s) that capitalized at repayment

How much do you owe?

Sample Case	In-State	Out-of-State
Amount borrowed in law school	**$77,000**	**$128,000**
Estimated capitalized interest	**$9,000**	**$17,500**
Estimated total debt at repayment	**$86,000**	**$145,500**
<u>Assumptions</u>: DSL/UDSL interest rate = 6.8% PLUS interest rate = 7.9%		

Loan Portfolio Chart

Sample Worksheet

Loan Type	Interest Rate	Lender	Servicer	Amount Owed
Direct Stafford	6.8%	U.S. Dept. of Education	( )	$
Direct Grad PLUS	7.9%	U.S. Dept. of Education	( )	$

Step 2

Determine when repayment begins

Timing is complicated!

Loans with GRACE PERIOD	Loans without GRACE PERIOD
Automatic benefit	Enter repayment when funds are disbursed
Grace period begins when you drop below ½-time enrollment	Eligible for in-school deferment while enrolled
Repayment begins after grace period	Repayment resumes after deferment
Interest is subsidized on subsidized loans in grace	

What loans have a grace period?

Loans with GRACE PERIOD	Loans without GRACE PERIOD
Stafford = 6 months Perkins = 9 months Private = depends	Consolidation Grad PLUS - Grad PLUS Loans first disbursed on/after 7/1/2008 have an **automatic 6-month post-enrollment deferment**

When repayment begins …

You must:

- Start making payments,

  OR

- Postpone repayment.

Action is required!

Postponing Repayment

- **Deferment**
  - Interest is subsidized on subsidized loans; accrues on unsubsidized loans
- **Forbearance**
  - Interest accrues on ALL loans

Should contact servicer and explain why payment relief is needed

Current Deferment Types

- In-school
- Education-related
  - Graduate fellowship
  - Rehabilitation training
- Unemployment
- Economic hardship
- Military
- Post-enrollment *(for Grad PLUS made on/after 7/1/2008)*

Forbearance

Temporary postponement or reduction of monthly payments, or extension of time for making payments

- You’re responsible for all accrued interest
- Discretionary forbearances may be available
- Must request a forbearance from your current loan servicer
- Must provide whatever documentation is requested
- **Mandatory forbearance** may be available in certain cases including periods of economic hardship, or medical/dental internship or residency

Repayment Timetable
Year 1 (Class of 2013)

Loan	Degree	Grace Period	Payment Start Date	Action Needed
Direct Stafford	Law	6 months	≈ 12/1/2013	Select payment plan near end of grace period
Direct Grad PLUS	Law	none	≈ 12/1/2013	Verify post-enrollment deferment will be applied automatically after graduation

Step 3

Pick your repayment plan

Picking Your Plan

Suggested steps:

1. Understand your options
2. Define your goals
3. Estimate your budget
4. Evaluate possible tradeoffs
5. Leverage loan repayment flexibility
6. Pick your plan

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Picking Your Plan

Understanding your options

Federal Student Loan Repayment Options

Stafford, Grad PLUS, Consolidation:

- Standard (Fixed) Repayment
- Graduated Repayment
- Extended Repayment
- Income-Sensitive Repayment (FFEL)/ Income-Contingent Repayment (Direct) – (ICR)
- Income-Based Repayment (IBR)
- “Pay As You Earn” Repayment (Direct) – (PAYE)

Loan Repayment Options

Stafford, PLUS and Consolidation Loans

Options	Payment Structure	Maximum Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Income Sensitive *(FFEL only)*	Adjusted annually based on: - Total gross income	15 years
Income-Contingent (ICR) (*Direct only)*	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans	25 years
Income Based (IBR)	15% of annual "Discretionary Income" Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years
Pay As You Earn (PAYE) (*Direct only)*	10% of annual "Discretionary Income" Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	20 years

Payment Comparisons

$145,500 Federal Student Loan Debt (Out-of-State)
$60,000 Household AGI (Household Size = 1)
(Estimates calculated at: StudentAid.gov)

Options	Payment Structure	Maximum Payment Period	Sample Monthly Payment	Payment #	Est. Total Amount Paid
Standard	Fixed	10 years	**$1,719**	All (1-120)	$206,252
Graduated	Graduated	10 years	**$1,191** **$2,578**	1-24 99-120	$218,234
Extended	Fixed	25 years	**$1,065**	All (1-300)	$319,453
	Graduated	25 years	**$896** **$1,470**	1-24 289-300	$344,758
ICR	Adjusted annually	25 years	**$814** **tbd**	1-12 13+	tbd
IBR	Adjusted annually	25 years	**$541** **tbd**	1-12 13+	tbd
PAYE	Adjusted annually	20 years	**$360** **tbd**	1-12 13+	tbd

Payment Comparisons

$86,000 Federal Student Loan Debt (In-State)
$60,000 Household AGI (Household Size = 1)
(Estimates calculated at: StudentAid.gov)

Options	Payment Structure	Maximum Payment Period	Sample Monthly Payment	Payment #	Est. Total Amount Paid
Standard	Fixed	10 years	**$1,000**	All (1-120)	$119,984
Graduated	Graduated	10 years	**$689** **$1,500**	1-24 99-120	$126,657
Extended	Fixed	25 years	**$609**	All (1-300)	$182,843
	Graduated	25 years	**$504** **$859**	1-24 289-300	$197,775
ICR	Adjusted annually	25 years	**$814** **tbd**	1-12 13+	tbd
IBR	Adjusted annually	25 years	**$541** **tbd**	1-12 13+	tbd
PAYE	Adjusted annually	20 years	**$360** **tbd**	1-12 13+	tbd

Initial Monthly Payments

Standard vs. Extended Plans

Total Debt	Standard Plan (10 yrs)		Extended Plan-Fixed (25 yrs)	
	Rate = 6.8%	Rate = 7.9%	Rate = 6.8%	Rate = 7.9%
$10,000	$115	$121	Not Eligible	Not Eligible
$25,000	$288	$302	Not Eligible	Not Eligible
$50,000	$575	$604	$347	$383
$75,000	$863	$906	$521	$574
$100,000	$1,151	$1,208	$694	$765
$125,000	$1,438	$1,510	$868	$957
$150,000	$1,726	$1,812	$1,041	$1,148
$175,000	$2,014	$2,114	$1,215	$1,339
$200,000	$2,302	$2,416	$1,388	$1,530
$225,000	$2,589	$2,718	$1,562	$1,722

IBR and PAYE
Who can benefit?

Borrowers:

- Needing more affordable payments
- With high loan debt relative to income
- Pursuing a public service career

IBR vs. PAYE

IBR	PAYE
Direct and **FFEL** loans	**Direct** loans only
Annual amount paid based on **15%** of "Discretionary Income"	Annual amount paid based on **10%** of "Discretionary Income"
Loan cancellation after **25** years	Loan cancellation after **20** years
	Must meet two additional eligibility requirements

PAYE
Additional Eligibility Requirements

- Must be a “new borrower” on or after October 1, 2007 (10/1/2007)
  - No federal loans before 10/1/2007, **OR**
  - No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

What loans are eligible?

IBR	PAYE
<u>FFEL and Direct</u>	**<u>Direct</u>***
Stafford	Stafford
Grad PLUS	Grad PLUS
Consolidation (cannot include payoff of a Parent PLUS Loan)	Consolidation (cannot include payoff of a Parent PLUS Loan)
	**Must CONSOLIDATE any non-Direct loans to make them eligible for PAYE*

IBR and PAYE

How do you qualify?

To enter IBR/PAYE, you must have:

PARTIAL FINANCIAL HARDSHIP (PFH)

What is PFH?

Partial financial hardship exists when:

Standard 10-year payment $$$$$	>	IBR/PAYE payment $$

IBR and PAYE

How is monthly payment calculated?

When PFH exists, payment is based on:

- Household AGI
- Household size
- Federal Poverty Guidelines

“Household AGI”

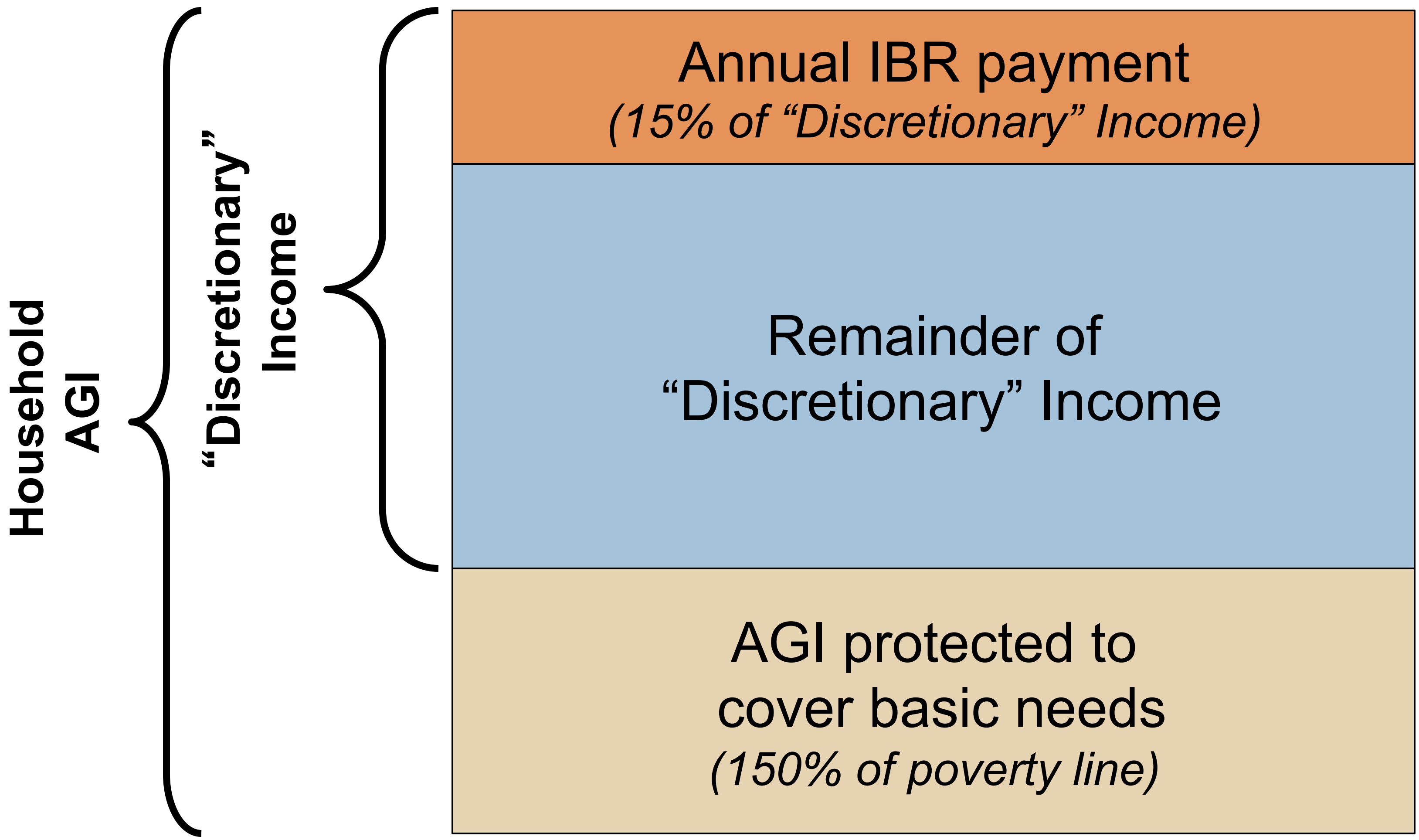
- Your AGI
- Spouse’s AGI, only if joint federal tax return was filed

  NOTE: Household’s eligible debt in PFH determination will include spouse’s eligible debt, if spouse’s AGI is included

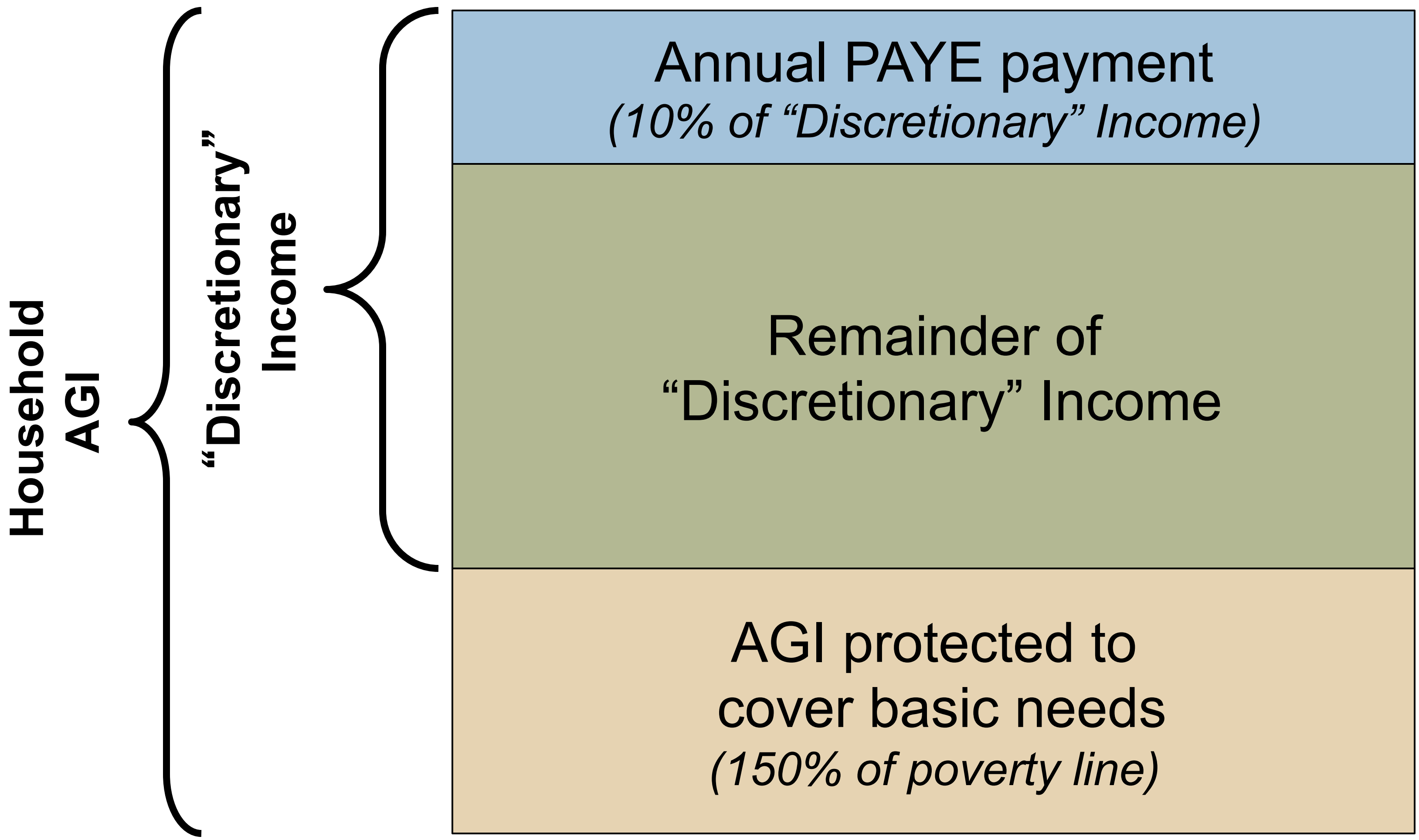
“Household Size”

- You
- Spouse
- Dependent children
- Other dependents in household who receive > 50% support from you

Annual amount paid in **IBR** is **15%** of "Discretionary" Income



Annual amount paid in **PAYE** is **10%** of "Discretionary" Income



Sample IBR Payments
15% Formula

Household AGI	2012 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
$0	$0	$0	$0
$10,000	$0	$0	$0
$20,000	$41	$0	$0
$30,000	$166	$91	$17
$40,000	$291	$216	$142
$50,000	$416	$341	$267
$60,000	$541	$466	$392
$70,000	$666	$591	$517
$80,000	$791	$716	$642
$90,000	$916	$841	$767
$100,000	$1,041	$966	$892

Sample PAYE Payments
10% Formula

Household AGI	2012 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
$0	$0	$0	$0
$10,000	$0	$0	$0
$20,000	$27	$0	$0
$30,000	$110	$61	$11
$40,000	$194	$144	$95
$50,000	$277	$228	$178
$60,000	$360	$311	$261
$70,000	$444	$394	$345
$80,000	$527	$478	$428
$90,000	$610	$561	$511
$100,000	$694	$644	$595

IBR and PAYE

Negative Amortization

- IBR/PAYE payment can be less than accrued interest
- Unpaid interest accrues
  - Unpaid interest accruing on **subsidized** Direct/ Stafford Loan debt is waived by government for up to first 3 consecutive years in IBR or PAYE plan
- Debt increases

IBR and PAYE

What happens if PFH ends?

- Remain in IBR/PAYE
  - Pay initial original 10-year amortization amount
- Exit IBR/PAYE

Applying for IBR or PAYE

- Contact current loan servicer to apply for IBR/PAYE
- Complete online application, as directed (every 12 months)
  - Application collects basic demographic information as well as information about household adjusted gross income (AGI) and household size

You must **CONSOLIDATE** any non-DIRECT federal student loans (e.g., FFEL, Perkins) *before* you can repay that debt using PAYE

Apply at: ***loanconsolidation.ed.gov***

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Prepaying Loans

Loan Prepayment

- You can make prepayments on your federal student loan(s) without penalty
- Will reduce total interest paid on loan
- Target prepayment at loan(s) with highest interest rate *(contact servicer to determine how to target prepayments without advancing next payment due date)*
- Contact loan servicer for information on how prepayments are applied to principal/interest
- **Best to make prepayments online at loan servicer's website**

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Step 4

Prepare for contingencies

What if you can't afford to make your loan payments?

Contact your loan servicer immediately!

Payment relief may be available, including:

- Deferment
- Forbearance
- Changing payment plans to lower your monthly payment, e.g., IBR or PAYE

Traditional Consolidation
A Refinancing Option

- You can **refinance** one or more eligible federal student loans by borrowing a Federal Direct Consolidation Loan
- All **federal** student loans except the Primary Care Loan (PCL) are eligible for federal loan consolidation
- Only available from Federal Direct Loan Program at: ***LoanConsolidation.ed.gov***

Reasons to Consolidate

- To simplify repayment by reducing number of loans/lenders/servicers
- To refinance Stafford Loans with variable interest rate(s) into Federal Direct Consolidation Loan with fixed interest rate
- To refinance FFEL loan(s) into Direct Program to make debt eligible for Public Service Loan Forgiveness Program and PAYE
- To refinance Perkins loan(s) into Direct Program to make debt eligible for Public Service Loan Forgiveness Program, IBR and PAYE
- To refinance FFEL Grad PLUS Loan(s) with fixed rate of 8.5% into Federal Direct Consolidation Loan with 8.25% fixed interest rate
- To reduce monthly payment on federal student loan debt
- To rehabilitate defaulted federal student loans

Benefit for Public Service

Public Service Loan Forgiveness Program (PSLF)

PSLF

Key Points

- DIRECT Loans only
- Work full-time as a paid employee for an eligible public service organization for 10 years (120 months)
- Repay loans using IBR or PAYE
- For more information, go to: ***StudentAid.ed.gov/publicservice***

Taking Charge

Final words ….

An "Action Plan"

1. Check your loan history at:
   NSLDS.ed.gov
2. Develop your loan timeline
3. Select payment plan that's best for you
4. Request payment relief when needed

And remember, notify loan servicer(s) of address changes whenever you move

Direct Loan Payment tips …

- You will receive a SINGLE, itemized monthly billing statement from the servicer listing all of your Federal Direct Loans in repayment so that you only need to submit one monthly payment for those loans

- Payments can be made by:
  - Check or money order
  - Online payment
  - “Auto-Pay” program
    - SAVE TIME AND MONEY – Sign up for “Auto-Pay” – The U.S. Department of Education currently offers to reduce the interest rate by 0.25% on the federal student loans it owns if the you sign up with your loan servicer to have your monthly loan payments automatically deducted from a checking or savings account

For more information …

- Federal student loan repayment: ***StudentAid.gov***
- Federal Direct Consolidation Loans: ***LoanConsolidation.ed.gov***
- Public service: ***StudentAid.ed.gov/publicservice***
- National Student Loan Data System: ***NSLDS.ed.gov***
- Federal Student Aid PIN: ***PIN.ed.gov***
- Federal loan repayment calculator: ***StudentAid.gov***
- PSLF benefits estimation: ***FinAid.org/calculators***
- Free annual credit report: ***AnnualCreditReport.com***

YOU CAN TAKE CHARGE!