

Appendix VIII: Current IDR Loan Repayment Options

Appendix VIII-A: Explanation

If you're a federal student loan borrower, you may be eligible for a repayment plan that ties your monthly payment to your income. These plans are designed to make student loan debt more manageable by reducing a borrower's monthly payment amount. The U.S. Department of Education offers three types of income-driven repayment plans:

- **Pay As You Earn** - The Pay As You Earn plan is a repayment plan with monthly payments that are limited to 10 percent of your discretionary income (the difference between your adjusted gross income and 150 percent of the poverty guideline amount for your state of residence and family size, divided by 12). To initially qualify for the Pay As You Earn plan and to continue to make income-based payments under this plan, you must have a partial financial hardship (and be a new borrower). The repayment period is 20 years.
- **Income-Based Repayment** - The Income-Based Repayment (IBR) plan is a repayment plan with monthly payments that are limited to 15 percent of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150 percent of the poverty guideline amount for your state of residence and family size, divided by 12. To initially qualify for IBR and to continue making income-based payments under this plan, you must have a partial financial hardship. The repayment period for new borrowers on or after July 1, 2014, is 20 years.
- **Income-Contingent Repayment** - The Income-Contingent Repayment (ICR) plan is a repayment plan with monthly payments that are the lesser of (1) what you would pay on a 12-year standard repayment plan multiplied by an income percentage factor or (2) 20 percent of your discretionary income divided by 12. Discretionary income for this plan is the difference between your adjusted gross income and the poverty guideline amount for your state of residence and family size. The repayment period is 25 years.

Each of these plans has an eligibility requirement that must be met to qualify for the plan. In order to qualify, the payment that a student would be required to make under the IBR or Pay As You Earn plan (based on income and family size) must be less than what he would pay under the Standard Repayment Plan with a 10-year repayment period.

Under all three plans, any remaining loan balance is forgiven if the federal student loans are not fully repaid at the end of the repayment period. For any income-driven repayment plan, the repayment period includes periods of economic hardship deferment and periods of repayment under certain other repayment plans. Whether there is a balance left to be forgiven at the end of the repayment period depends on a number of factors, such as how quickly income rises and how large income is relative to debt. Because of these factors, a borrower may fully repay her loan prior to the end of her repayment period.

Monthly income-driven repayment plan payments begin based on income and family size. The borrower must provide the loan servicer with updated income and family size information each year. The required monthly payment amount may increase or decrease if there are income or family size changes from year to year.

Source: U.S. Department of Education Office of Federal Student Aid <<https://studentaid.ed.gov/repay-loans/understand/plans/income-driven>>

Appendix VIII-B: Sample Federal Calculator

From Department of Ed's Student Loan Calculator for the average Illinois balance of \$28,028					
Salary of \$25,000 (10% of monthly income = \$208)					
Repayment Plan	Repayment Period	Monthly Payment	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
		Initial to Final Amounts			
Standard	120 months	\$293 to \$293	\$0	\$7,154	\$35,182
Graduated	120 months	\$165 to \$496	\$0	\$8,979	\$37,007
Pay As You Earn	240 months	\$62 to \$256	\$19,095	\$25,233	\$34,166
Income-Based Repayment (IBR)	236 months	\$94 to \$293	\$0	\$19,128	\$47,156
Income-Contingent Repayment (ICR)	196 months	\$174 to \$253	\$0	\$13,190	\$41,218
Salary of \$35,000 (10% of monthly income = \$292)					
Repayment Plan	Repayment Period	Monthly Payment	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
		Initial to Final Amounts			
Standard	120 months	\$293 to \$293	\$0	\$7,154	\$35,182
Graduated	120 months	\$165 to \$496	\$0	\$8,979	\$37,007
Pay As You Earn	180 months	\$146 to \$293	\$0	\$12,956	\$40,984
Income-Based Repayment (IBR)	134 months	\$219 to \$293	\$0	\$8,492	\$36,520
Income-Contingent Repayment (ICR)	163 months	\$210 to \$260	\$0	\$10,400	\$38,428
Salary of \$50,000 (10% of monthly income = \$417)					
Repayment Plan	Repayment Period	Monthly Payment	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
		Initial to Final Amounts			
Standard	120 months	\$293 to \$293	\$0	\$7,154	\$35,182
Graduated	120 months	\$165 to \$496	\$0	\$8,979	\$37,007
Pay As You Earn	122 months	\$271 to \$293	\$0	\$7,345	\$35,373
Income-Based Repayment (IBR)	n/a	n/a	n/a	n/a	n/a
Income-Contingent Repayment (ICR)	139 months	\$249 to \$296	\$0	\$8,648	\$36,676