

Repayment Plans

Kim Wells | October 2016
U.S. Department of Education
IASFAA Conference

Federal Student Aid | PROUD SPONSOR of THE AMERICAN MIND®
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Agenda

- Standard Plan
- Extended Plan
- Graduated Plan
- Income-Driven Plans
- Resources

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Standard Plan

- Default repayment plan
- Loans eligible for inclusion

Direct Subsidized Loans	Direct Unsubsidized Loans
Direct PLUS Loans	Direct Consolidation Loans
Subsidized Federal Stafford Loans	Unsubsidized Federal Stafford Loans
FFEL PLUS Loans	FFEL Consolidation Loans

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Standard Plan

- Repayment term = 10 years (except Consolidation)
- Minimum monthly payment = \$50
- Monthly payments may be slightly higher but generally pay least over life of loan

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Standard Plan

- Consolidation repayment terms

If your Total Education Loan Indebtedness is...		...your Repayment Period will be...
At Least	Less Than	
	\$7,500	10 years
\$ 7,500	\$10,000	12 years
\$10,000	\$20,000	15 years
\$20,000	\$40,000	20 years
\$40,000	\$60,000	25 years
\$60,000		30 years

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Extended Plan

- Eligibility criteria for DL borrowers
 - No outstanding DL balance as of 10/07/98 or on date obtained DL after that
 - More than \$30,000 in outstanding DL
- Eligibility criteria for FFEL borrowers
 - No outstanding FFEL balance as of 10/07/98 or on date obtained FFEL after that
 - More than \$30,000 in outstanding FFEL


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Extended Plan

Direct Subsidized Loans	Direct Unsubsidized Loans
Direct PLUS Loans	Direct Consolidation Loans
Subsidized Federal Stafford Loans	Unsubsidized Federal Stafford Loans
FFEL PLUS Loans	FFEL Consolidation Loans

- Monthly payments are
 - a fixed or graduated amount
 - made for up to 25 years
 - generally lower than payments made under Standard and Graduated Repayment Plans

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Graduated Plan

- Loans eligible for inclusion

Direct Subsidized Loans	Direct Unsubsidized Loans
Direct PLUS Loans	Direct Consolidation Loans
Subsidized Federal Stafford Loans	Unsubsidized Federal Stafford Loans
FFEL PLUS Loans	FFEL Consolidation Loans


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Graduated Plan

- Monthly payments
 - start out low and increase every two years
 - are made for up to 10 years for all loan types except Direct Consolidation Loans and FFEL Consolidation Loans (between 10 – 30 years for Consolidation Loans)
 - will never be less than amount of *interest* that accrues between payments
 - won't be more than three times greater than any other payment

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Graduated Plan

- Repayment terms for consolidation loans

If your Total Education Loan Indebtedness is...		...your Repayment Period will be...
At Least	Less Than	
	\$7,500	10 years
\$ 7,500	\$10,000	12 years
\$10,000	\$20,000	15 years
\$20,000	\$40,000	20 years
\$40,000	\$60,000	25 years
\$60,000		30 years

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Income-Driven Repayment (IDR) Plans

- Four IDR plans
 - Revised Pay As You Earn Repayment Plan (REPAYE Plan)
 - Pay As You Earn Repayment Plan (PAYE Plan)
 - Income-Based Repayment Plan (IBR Plan)
 - Income-Contingent Repayment Plan (ICR Plan)

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Eligible Borrowers

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Eligible Borrowers

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Eligible Loan Programs

Loan Program	ICR	IBR	PAYE	REPAYE
Direct Loans	X	X	X	X
FFELP		X		
Perkins Loans				

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Eligible Loan Type

Loan Type	ICR	IBR	PAYE	REPAYE
Loan received as student	X	X	X	X
Loan received as parent				
Consolidation (no underlying parent loans)	X	X	X	X
Consolidation (underlying parent loans)	X			

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Payment Amounts

Most IDR plans have two formulas--for those that do, borrowers always pay the lesser of the two.

Repayment Plan	Payment based only on income	Payment based on loan debt
ICR	20% of discretionary income	12-year standard payment adjusted based on income
IBR	15% of discretionary income	10-year standard amount
PAYE / "new" IBR	10% of discretionary income	10-year standard amount
REPAYE	10% of discretionary income	None

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Interest Subsidy Benefits

ICR	IBR	PAYE	REPAYE	REPAYE
No subsidy	Sub. Loans only	Sub. Loans only	For sub. loans	For unsub. loans
	Only during negative amortization	Only during negative amortization	Only during negative amortization	Only during negative amortization
	Only for first 3 years under plan	Only for first 3 years under plan	For first 3 years under plan	No time limit
	100% of negative amortization	100% of negative amortization	100% of negative amortization	50% of negative amortization
			After 3 years, 50% of negative amortization	

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Interest Capitalization

IBR	<ul style="list-style-type: none"> While payment is income-based, normal rules are suspended While normal rules suspended, only trigger is conversion to standard plan amount Interest capitalizes when leaving the plan
ICR	<ul style="list-style-type: none"> Normal rules apply (upon expiration of deferment/forbearance) Interest accruing due to negative amortization is capitalized annually Capitalization of negative amortization interest is limited to 10% of balance
PAYE	<ul style="list-style-type: none"> While payment is income-based, normal rules are suspended While normal rules suspended, only trigger is conversion to standard plan amount Capitalization caused by conversion is limited to 10% of balance Interest capitalizes when leaving the plan
REPAYE	<ul style="list-style-type: none"> Normal rules apply (upon expiration of deferment or forbearance) Interest capitalizes when leaving the plan

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Loan Forgiveness

20 years is for undergraduate borrowers and 25 years is for graduate borrowers

Generally, payments on an IDR plan, 10-year standard plan, or periods of economic hardship deferment count toward forgiveness

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Billy Borrower

- Billy Borrower:
 - Is single with no dependents and lives in Georgia
 - Has an AGI of \$35,000 that rises at 5% per year
 - Has \$50,000 in Direct Loan debt (\$23,000 of which is subsidized), all of which has a 6% interest rate
 - Borrowed for graduate school

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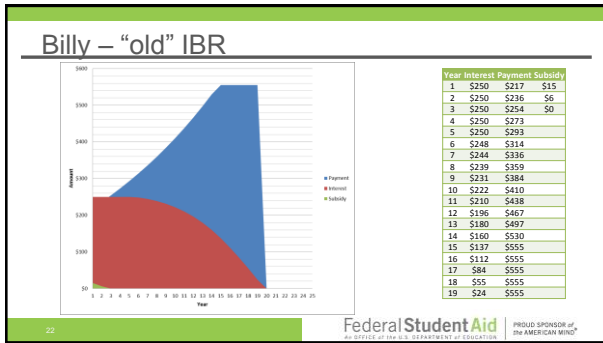
Billy - ICR

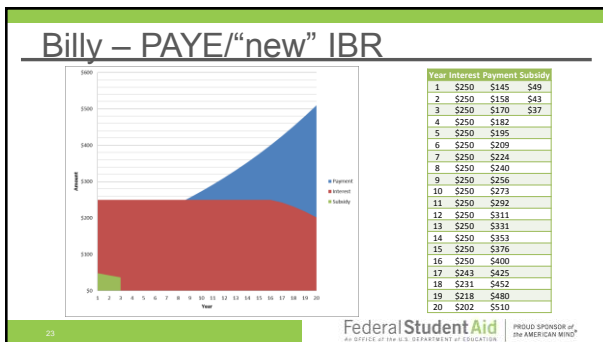
Year	Interest	Payment
1	\$250	\$387
2	\$242	\$405
3	\$231	\$410
4	\$220	\$415
5	\$208	\$419
6	\$195	\$424
7	\$181	\$429
8	\$166	\$434
9	\$150	\$440
10	\$132	\$445
11	\$112	\$451
12	\$91	\$457
13	\$69	\$463
14	\$45	\$469
15	\$18	\$475

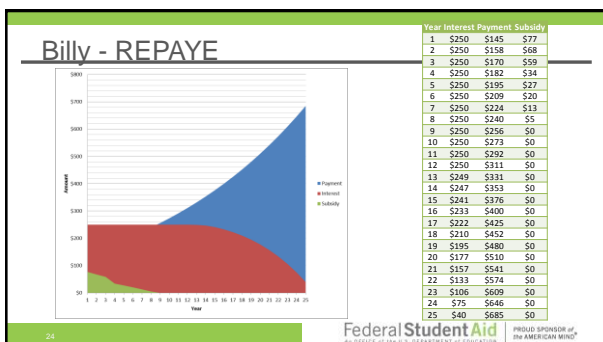
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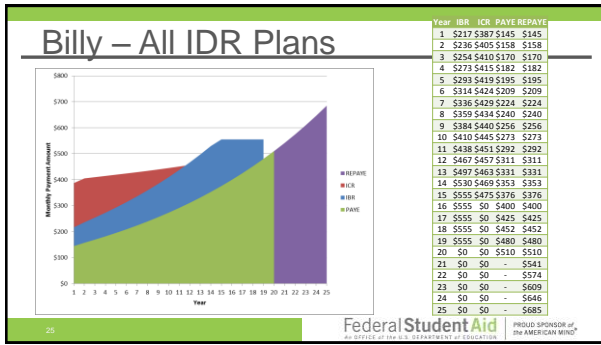
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StudentAid.gov/Repayment-Estimator

Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid
Standard	120 months	\$555 to \$555	\$0	\$16,612	\$66,612
Graduated	120 months	\$317 to \$952	\$0	\$21,060	\$71,060
Extended Fixed	300 months	\$322 to \$322	\$0	\$46,645	\$96,645
Extended Graduated	300 months	\$250 to \$485	\$0	\$55,144	\$105,144
Income-Based Repayment (IBR)	227 months	\$217 to \$555	\$0	\$42,040	\$92,040
IBR for New Borrowers	240 months	\$145 to \$508	\$37,029	\$58,475	\$71,446
Pay As You Earn	240 months	\$145 to \$508	\$37,029	\$58,475	\$71,446
Income-Contingent Repayment (ICR)	178 months	\$387 to \$471	\$0	\$26,660	\$76,660

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Income-Driven Repayment Plans

Application Process

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Income-Driven Repayment Plans

Applying: Electronic or Paper

ADOI = "alternative documentation of income;" not AGI.

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Application Process: Spouses

Almost all married borrowers provide spouse's income documentation

Only used by servicer when relevant

Exception for those who are separated or cannot access spouse's income

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Application Process: Spouses

Repayment Plan	Married borrower filing jointly	Married borrower filing separately
ICR	Use joint AGI	Use borrower's AGI
IBR	Use joint AGI	Use borrower's AGI
PAYE	Use joint AGI	Use borrower's AGI
REPAYE	Use joint AGI	Combine AGI of borrower and borrower's spouse

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Application Process: Spouses

A married borrower is not required to provide spouse's AGI if the borrower is:

- 1 • Separated from his or her spouse; or
- 2 • Unable to reasonably access income information from spouse

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Application Process: Spouses (REPAYE)

REPAYE—If a borrower is separated or unable to reasonably access spouse's income information:

- The borrower's spouse is not counted in family size
- If the spouse has eligible loans, the spouse's loans are not considered in the monthly payment amount adjustment

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Application Process: Income Documentation

AGI	Alternative	Alternative
<ul style="list-style-type: none"> • Filed taxes • No significant change 	<ul style="list-style-type: none"> • File taxes • Significant change 	<ul style="list-style-type: none"> • Didn't file taxes

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Application Process: Income Documentation


AGI

- Electronic Application
- Tax Return
- Tax Return Transcript

Alternative

- Pay stubs, unemployment benefits, etc.
- Self-certification of zero income
- Provide electronically only if zero income

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Resources

- Studentaid.ed.gov
 - General information about repayment plans
 - Information sheets
 - Income-Driven Repayment Plans for Federal Student Loans (PDF)
 - Income-Driven Repayment Plans: Frequently Asked Questions (PDF)
 - Federal Student Loans: Repaying Your Loans (PDF)
 - Repayment Estimator
- Loan Servicers

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QUESTIONS?




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Thank You!

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ED Contacts

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 800.433.7327
 fsa.customer.support@ed.gov

Reach FSA

Campus-Based Call Center	eZ-Audit
COD	School Eligibility Services Group
CPS/SAIG	Foreign Schools Participation Division
NSLDS	Research and Customer Care Center
G5	Nelnet Total & Permanent Disability

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- Additional feedback about training can be directed to joann.borel@ed.gov

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