

# Deep Dive: Student Loans

## Repayment Plans for Federal Student Loans

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# Repayment Plan Options

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# Standard Repayment Plan

- **10** Year Repayment term
- Consistent monthly payment amount (minimum of \$50/month)
  - Fixed rate: same monthly payment amount over 10 years
  - Variable rate: monthly payment amount reset once a year
- No prepayment penalty
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad & Parent PLUS

# Graduate Repayment Plan

- **10** Year Repayment term
- Monthly payment goes from smaller to larger over time
  - Monthly payment is at least equal to accrued interest
  - No payment is more than 3X greater than previous payment
  - Payment changes every two years
- No prepayment penalty
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad & Parent PLUS

# Extended (Fixed) Repayment Plan

- Fixed monthly payment over **25** years
- Available to new borrowers: on/after October 7, 1998
- Minimum balance of \$30,000 (principal and interest)
- No prepayment penalty
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad & Parent PLUS

# Extended (Graduated) Repayment Plan

- Graduated monthly payment over **25** years
- Available to new borrowers: on/after October 7, 1998
- Minimum balance of \$30,000 (principal and interest)
- No prepayment penalty
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad & Parent PLUS

# Income Based Repayment (IBR)

- **25** Year Repayment Term
- Requires a demonstration of partial financial hardship
- Monthly payments are capped at **15%** of discretionary income
  - Adjusted on a annual basis based on income, family size, and state of residency
- Any balance after **25** years is forgiven
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad PLUS
  - Consolidation Loans (that do not include Parent PLUS)

# Income Based Repayment (IBR) for New Borrowers

- New Borrowers – on/after July 1, 2014
- **20** Year Repayment Term
- Requires a demonstration of partial financial hardship
- Monthly payments are capped at **10%** of discretionary income
  - Adjusted on a annual basis based on income, family size, and state of residency
- Any balance after **20** years is forgiven
- Available for FFEL & DL
  - Subsidized & Unsubsidized Stafford
  - Grad PLUS
  - Consolidation Loans (that do not include Parent PLUS)



# Income Contingent Repayment (ICR)

- **25** Year Repayment Term
- Payment amount based on income, family size, and state of residency
- Payment amount is **20%** of discretionary income
  - Payment may be \$0.00
- Any balance after **25** years is forgiven, but taxable income
- Available for **Direct Loans** only
  - Subsidized & Unsubsidized Stafford
  - Grad PLUS
  - Consolidation Loans (includes consolidation loans made on/after July 1, 2006 that repaid at Parent PLUS)

# Income Sensitive Repayment (ISR)

- **10-15**
- Payment amount based on income
- Payments change as income changes
- Available for **FFEL** only
  - Subsidized & Unsubsidized Stafford
  - Grad & Parent PLUS
  - Consolidation Loans

# Pay As You Earn (PAYE)

- **20** Year Repayment Term
- For borrowers who took their first federal loan after October 1, 2007 and received a disbursement of a Direct Loan on/after October 1, 2011.
- **10%** of discretionary income; adjusted annually
- Any balance after **20** years is forgiven, but taxable income
- Unpaid accrued interest may be paid for up to **three** consecutive years
- Available for **Direct** Loans only
  - Subsidized & Unsubsidized Stafford
  - Grad PLUS
  - Consolidation Loans (includes consolidation loans made on/after July 1, 2006 that repaid at Parent PLUS)

# Revised Pay As You Earn (REPAYE)

- This is a proposal under negotiation—it is not in regulation yet.
- Demonstrate partial financial hardship
- Payment is based on income and family size; adjusted annually
- There is no cap on the monthly payment amount
- For **Subsidized** loans, unpaid accrued interest may be paid for up to **three** consecutive years and **50%** during periods of negative amortization thereafter.
- For **Unsubsidized** loans (including Grad PLUS) **50%** of unpaid accrued interest may be paid during periods of negative amortization.
- If borrower loan balance is greater than \$57,500 = **25** Year Repayment Term; if less than \$57,500 = **20** Year Repayment Term.
- Any balance after **20/25** years is forgiven, but taxable income
- Available for **Direct Loans** only
  - Subsidized & Unsubsidized Stafford
  - Grad PLUS
  - Consolidation Loans (includes consolidation loans made on/after July 1, 2006 that repaid a Parent PLUS)

# More details on federal loan repayment plans:

- <https://studentaid.ed.gov/repay-loans/understand/plans>