Income-Driven Repayment Comparison

Criteria	Income-Based Repayment (IBR)	Income-Contingent Repayment (ICR)	Pay As You Earn
New Borrower* Requirement	Not applicable	Not applicable	Must be a New Borrower* to qualify
Loans Eligible and Ineligible to be Repaid Under the Plan	***Eligible Loans:*** FFELP & Direct Loans ***Ineligible Loans:*** *Defaulted loans, Parent PLUS loans, Perkins loans, private loans, HEAL loans and Consolidation loans that repaid Parent PLUS loans*	***Eligible Loans***: Direct Loans ***Ineligible Loans:*** *Defaulted loans, Parent PLUS loans, Perkins loans, private loans, HEAL loans, FFELP loans (including FFELP loans owned by Dept of Education), and Direct PLUS Consolidation loans*	***Eligible Loans***: Direct Loans ***Ineligible Loans:*** *Defaulted loans, Parent PLUS loans, Perkins loans, private loans, HEAL loans, FFELP loans (including FFELP loans owned by Dept of Education), and Consolidation loans that repaid Parent PLUS loans*
Partial Financial Hardship (PFH)	Required for initial repayment under IBR, and to retain an income-derived payment under IBR in subsequent years A PFH exists when the annual amount due on the borrower's eligible loans, as calculated under the 10-year standard (level) repayment plan, exceeds 15% of the borrower's Discretionary Income	Not applicable	Required for initial repayment under Pay As You Earn, and to retain an income-derived payment under Pay As You Earn in subsequent years A PFH exists when the annual amount due on the borrower's eligible loans, as calculated under the 10-year standard (level) repayment plan, exceeds 10% of the borrower's Discretionary Income
Discretionary Income	**Adjusted Gross Income (AGI) from tax return (or annual income based on Alternative Documentation of Income) minus 150% of applicable Poverty Line*** *(includes spouse's income if taxes filed jointly)*	**Adjusted Gross Income (AGI) from tax return (or annual income based on Alternative Documentation of Income) minus 100% of applicable Poverty Line*** *(includes spouse's income if taxes filed jointly)*	**Adjusted Gross Income (AGI) from tax return (or annual income based on Alternative Documentation of Income) minus 150% of applicable Poverty Line*** *(includes spouse's income if taxes filed jointly)*
Income-Derived Payment*	15% x Discretionary Income ÷ 12 Minimum Monthly Payment: $0	**Lesser of:** 20% x Discretionary Income ÷ 12 **OR** 12-year standard payment multiplied by Income Percentage Factor* Minimum Monthly Payment: $0	10% x Discretionary Income ÷ 12 Minimum Monthly Payment: $0
Payment When Borrower Ceases to Have a PFH	10-year standard payment using principal amount upon entering IBR	Not applicable	10-year standard payment using principal amount upon entering Pay As You Earn
Payment When Borrower Does Not Re-certify Income	10-year standard payment using principal amount upon entering IBR	10-year standard payment using principal amount upon entering ICR	10-year standard payment using principal amount upon entering Pay As You Earn

This chart compares selected criteria as of 2/1/2013 for the income-based, income-contingent, and Pay As Your Earn repayment plans and does not describe all eligibility requirements. See the official "IBR / Pay As You Earn/ ICR Repayment Plan Request" form for a comprehensive description of eligibility criteria for each of these plans.

2/13/2013

Income-Driven Repayment Plans

Criteria	Income-Based Repayment (IBR)	Income-Contingent Repayment (ICR)	Pay As You Earn
Temporary Interest Subsidy*	Yes (first 3 years)	Not applicable	Yes (first 3 years)
Number of Payments Required for Loan Forgiveness*	25 years (300 qualifying payments) Any remaining balance of principal and interest will be forgiven	25 years (300 qualifying payments) Any remaining balance of principal and interest will be forgiven	20 years (240 qualifying payments) Any remaining balance of principal and interest will be forgiven
Interest Capitalization	Unpaid interest is added to the principal amount when the borrower no longer has a PFH (no maximum) and when the borrower chooses to leaves IBR	Unpaid interest for negatively amortized payments (scheduled payment amounts that do not cover accrued interest) is added annually to the principal amount up to a maximum of 10% of the loan balance at the start of repayment	Unpaid interest is added to the principal amount when the borrower no longer has a PFH (up to a maximum of 10% of the loan balance when the borrower enters Pay As You Earn) and when the borrower chooses to leave Pay As You Earn

Contact your loan holder for additional details and with any specific questions you have regarding these income-driven repayment plans.
You can find contact information for your loan holder at www.nslds.ed.gov

*Glossary of Terms

Income-Derived Payment	A formula-based monthly payment calculation, based on the borrower's FFELP and/or Direct Program loan amounts, family size, income, and state of residence. The formula does not consider other debts or expenses, and the formula varies by repayment plan selected.
Income Percentage Factor	Applies only to the Income-Contingent Repayment plan. The income-percentage factor is an amount published by the U.S. Department of Education that is used to calculate the borrower's "Income-Derived" Payment. The income-percentage factor that is used for the payment calculation is based on the borrower's annual income.
Loan Forgiveness	If a borrower's loan is not fully repaid after making the designated number of qualifying payments, the remaining principal balance and accrued interest on the loan is forgiven. ***Under current IRS rules, forgiven amounts are considered taxable income.***
New Borrower	Applies only to the Pay As You Earn plan. A *new borrower* is one who: • Has no outstanding balance on a Direct or FFEL Program loan as of October 1, 2007, or has no outstanding balance on a Direct or FFEL Program loan when he or she obtains a new loan on or after October 1, 2007, **AND** • Receives a disbursement of a Direct subsidized Stafford, unsubsidized Stafford, or Grad PLUS loan on or after October 1, 2011; or receives a Direct Consolidation Loan based on an application received on or after October 1, 2011. ***Exception****: An individual is not a new borrower if the Direct Consolidation Loan repays Direct Loans or FFEL Program loans that otherwise made the borrower ineligible, i.e., loans made prior to October 1, 2007*.
Poverty Line	A figure published annually by the U.S. Department of Health and Human Services (HHS) which is used for purposes such as determining eligibility for certain federal benefit programs. The applicable amount is based on the borrower's family size and state of residence. If the borrower is not a resident of a state identified in the poverty guidelines, the amount for the 48 contiguous states must be used.
Temporary Interest Subsidy	If the amount of the borrower's monthly payment that is allocated to a subsidized Stafford loan, or to the subsidized portion of a Consolidation loan, does not cover the monthly interest accruing on that loan or portion, the borrower is not required to pay the amount of accruing interest that exceeds the monthly payment. Temporary interest subsidy is only available under the Income-Based Repayment and the Pay As You Earn Plans, and is only available for the first consecutive 36 months (excluding periods of economic hardship deferment).

Helpful Hints and Reminders

- If you're having difficulty making your monthly federal student loan payment, you may want to consider one of the income-driven repayment plans which may reduce your payment amount. Ask your lender/servicer for more information.

- If you're thinking about Direct Loan Consolidation, know that there can be benefits and consequences to carefully consider. For example:
    1. If you consolidate your FFELP loans and are employed by certain public service organizations, you could qualify for Public Service Loan Forgiveness (PSLF).
    2. You could forfeit the qualifying payments you've already made for both PSLF and for forgiveness under any income-driven repayment plan. Only qualifying payments on the new Direct Consolidation loan will be counted for these forgiveness programs.
    3. If you're a **military servicemember** and consolidate your FFELP loans**,** you could qualify for the Direct Loan Program zero interest accrual benefit for service in hostile areas that qualify for special pay under section 310 of title 37, United States Code and/or PSLF. However, keep in mind that taking out a Direct Consolidation loan while on active duty could forfeit your eligibility to cap your interest rate at 6% under the Servicemembers Civil Relief Act (SCRA). In addition, if you consolidate a Perkins loan, special Perkins loan forgiveness provisions for qualified servicemembers serving in an area of hostilities could be lost.

- If your monthly Income-Based Repayment (IBR) or Pay As You Earn payment amount doesn't cover the interest that accrues on your loans each month, you will not be required to pay the amount of monthly accrued interest that exceeds your monthly payment amount on your subsidized loans. This benefit is limited to the first three consecutive years of repayment under these plans. The three-year clock starts upon entering either the IBR or Pay As You Earn plan and does not stop except for periods of economic hardship deferment. Switching between IBR and Pay As You Earn or consolidating your loans does not restart the clock.

- Under the IBR, Pay As You Earn and Income Contingent Repayment (ICR) plans, each year borrowers are required to submit documentation of their income and recertify their family size. That means your payment amount may increase or decrease each year based on your income and family size. **Don't miss the deadline for submitting this information**.

- If your income and/or family size change, you can request a re-evaluation of your monthly payment amount at any time. Contact your lender/servicer for more information.

- If you are thinking about leaving IBR and switching to another repayment plan, contact your lender/servicer to determine what you need to do in order to move to another repayment plan.

- Payments made under any eligible Direct Loan repayment plan (IBR, ICR, or Pay As You Earn), or any payment equivalent to the 10-year standard payment amount are "eligible payments" for purposes of qualifying for PSLF. If you move from one repayment plan to another, the 120-payment counter for PSLF does not start over.

- Under the income-driven repayment plans, you may be eligible for forgiveness of any remaining loan balance after making qualifying payments for 20 or 25 years. Under current IRS rules, any loan amount forgiven under the income-driven repayment plans is considered taxable income. However, any amount forgiven under PSLF is not considered taxable income.

FAQs

Q1- Can a single, lump-sum loan payment be treated as multiple monthly payments for the purpose of loan forgiveness?

A1 – No. To qualify for loan forgiveness, the borrower must make the required number of payments (240 or 300, as applicable) during the required number of years (20 or 25, as applicable).

Q2 – What if the borrower filed a joint tax return for the prior year but is now divorced; must he include his ex-spouse's AGI and can he and his ex-spouse repay their loans together?

A2 – No, to both questions. The borrower will need to provide his loan holder with Alternative Documentation of Income in this situation.

Q3 – What if the borrower's family size or income changes during the year?

A3 – If the borrower's circumstances change during the annual payment period previously established, the borrower may request an early re-evaluation of the income-derived payment amount. The "IBR/Pay As You Earn/ICR Repayment Plan Request" form can be used to indicate the borrower's request for early re-evaluation.

Q4 – What happens to the temporary interest subsidy if the borrower switches from the IBR to the Pay As You Earn repayment plan? Does the 36-month period start over?

A4 – No. Any amount of time used for Temporary Interest Subsidy under one plan counts against the 36-month limit if the borrower switches to another plan.

Q5 – A borrower is required to annually reapply for each of these income-driven repayment plans. Is there a deadline for the reapplication? What happens if the borrower does not reapply timely?

A5 – Near the end of the current annual (12- month) payment period, the borrower's loan holder will notify the borrower that it is time to submit updated "renewal" documentation to determine if the borrower is eligible to continue making an income-derived payment amount and, if so, to determine what that payment amount will be.

The notice will contain the date by which the borrower must provide "renewal" documentation and explain that if the loan holder does not receive the required documentation within 10 days after the listed deadline, the borrower's payment amount will be recalculated on a 10-year standard repayment term. Under the IBR and Pay As You Earn plans, the notice will also inform the borrower that failure to provide the "renewal" documentation in a timely manner will result in capitalization (added to the principal balance) of all of the borrower's accrued unpaid interest. For Pay As You Earn, accrued interest will be capitalized subject to the 10% maximum.