Details of income-driven repayment plans
Overview

• Income-Contingent Repayment Plan (ICR) – 1994
• Income-Based Repayment Plan (IBR) – 2009
• Pay As You Earn Plan (PAYE) – 2012
Overview

• Revised Pay As You Earn (REPAYE) – 2015, subject to rulemaking
  – Negotiations in February – April, 2015
  – Consensus reached
  – NPRM in July 2015
  – Final by November 2015
  – Early implementation announced (December 2015)

  – All information about REPAYE is subject to change based on response to public comment
Eligible Borrowers

ICR = Eligible loan

IBR = Eligible loan + Show need

PAYE = Eligible loan + Show need + Recent borrower

REPAYE = Eligible loan
## Eligible Loans

<table>
<thead>
<tr>
<th>Loan Program</th>
<th>ICR</th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loans</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>FFELP</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perkins Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>ICR</th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan received as student</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Loan received as parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidation (no underlying parent loans)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Consolidation (underlying parent loans)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Payment Amounts

Most IDR plan has two formulas. For those that do, borrowers always pay the lesser of the two.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment based only on income</th>
<th>Payment based on loan debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICR</td>
<td>20% of discretionary income</td>
<td>12-year standard payment adjusted based on income</td>
</tr>
<tr>
<td>IBR</td>
<td>15% of discretionary income</td>
<td>10-year standard amount</td>
</tr>
<tr>
<td>PAYE / “new” IBR</td>
<td>10% of discretionary income</td>
<td>10-year standard amount</td>
</tr>
<tr>
<td>REPAYE</td>
<td>10% of discretionary income</td>
<td>None</td>
</tr>
</tbody>
</table>
# Interest Subsidy Benefit

<table>
<thead>
<tr>
<th>Plan</th>
<th>Subsidized Loans</th>
<th>Negative Amortization</th>
<th>Time Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICR</td>
<td>No subsidy</td>
<td>Only during negative amortization</td>
<td>Only for first 3 years under plan</td>
</tr>
<tr>
<td>IBR</td>
<td>Sub. Loans only</td>
<td>Only during negative amortization</td>
<td>Only for first 3 years under plan</td>
</tr>
<tr>
<td>PAYE</td>
<td>Sub. Loans only</td>
<td>Only during negative amortization</td>
<td>Only for first 3 years under plan</td>
</tr>
<tr>
<td>REPAYE</td>
<td>For subsidized loans</td>
<td>Only during negative amortization</td>
<td>For first 3 years under plan</td>
</tr>
<tr>
<td>REPAYE</td>
<td>For unsubsidized loans</td>
<td>Only during negative amortization</td>
<td>No time limit</td>
</tr>
</tbody>
</table>

After 3 years, 50% of negative amortization
Loan Forgiveness

IRS: “it’s taxable”

IBR: 25 years

REPAYE: 20 or 25 years

ICR: 25 years

PAYE / “new” IBR: 20 years

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.
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 and
  – 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
Billy - ICR

Interest
Payment

$0
$50
$100
$150
$200
$250
$300
$350
$400
$450
$500

1  4  7  10  13  16  19  22  25
Billy - All IDR Plans

Monthly Payment Amount

Year

PAYE
REPAYE
IBR
ICR
### Billy Borrower – Comparison

<table>
<thead>
<tr>
<th></th>
<th>ICR</th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Payment</td>
<td>$304</td>
<td>$154</td>
<td>$103</td>
<td>$103</td>
</tr>
<tr>
<td>Final Payment</td>
<td>$454</td>
<td>$555</td>
<td>$405</td>
<td>$551</td>
</tr>
<tr>
<td>Time</td>
<td>17 yrs., 3 mos.</td>
<td>23 yrs., 10 mos.</td>
<td>20 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Total Paid</td>
<td>$82,695</td>
<td>$107,553</td>
<td>$55,245</td>
<td>$84,591</td>
</tr>
<tr>
<td>Forgiveness</td>
<td>$0</td>
<td>$0</td>
<td>$52,567</td>
<td>$51,649</td>
</tr>
</tbody>
</table>

### Standard vs. Extended

<table>
<thead>
<tr>
<th></th>
<th>Standard</th>
<th>Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment</td>
<td>$555</td>
<td>$372</td>
</tr>
<tr>
<td>Time in Repayment</td>
<td>10 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Total Paid</td>
<td>$66,612</td>
<td>$111,645</td>
</tr>
</tbody>
</table>
Repayment Estimator

Available at StudentAid.gov/repayment-estimator
Application Process
Applying: Electronic or Paper

Select reason for submitting form

Provide information about spouse, if applicable

Determine what kind of income documentation to submit

Select plan, if submitting form to initially apply

Certify family size

Submit documentation of AGI or ADOI

ADOI = “alternative documentation of income”; not AGI.
Almost all married borrowers provide spouse's income documentation.

Only used by servicer when relevant.

Exception for those who file separately and are separated or file separately and cannot access spouse's income starting in December.
Applying: Income Documentation

File tax return in two most recent years?

Yes

AGI significantly different from current income? Example, loss of job, cut hours, etc.

Yes

No

Alternative Documentation of Income (ADOI)

Yes

No

Alternative Documentation of Income

AGI
Applying: Income Documentation

AGI

- Electronic Application
- Tax Return
- Tax Return Transcript

ADOI

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

If borrower is married and files a joint tax return, also need ADOI of spouse.
Annual Life Cycle

Month 0
Borrower applies: 2/14/2014

Month 1
Borrower enters plan: 3/1/2014

Month 2
Borrower receives educational notice about plan: 3/2/2014

Month 9
Borrower receives request to submit new income documentation: 11/26/2014

Month 10
Soft deadline: 1/25/2015

Month 11
Hard deadline*: 2/4/2015

Month 12
Anniversary date: 3/1/2015
DL Changes Over Time

Repayment Plans in DL Over Time (Borrowers)

- Traditional (Raw Borrowers)
- IDR (Raw Borrowers)
- Traditional (% of Borrowers)
- IDR (% of Borrowers)
DL – Changes Over Time

Repayment Plans in DL Over Time ($)

- Traditional (Raw $)
- IDR (Raw $)
- Traditional (% of $)
- "IDR (% of $)"

Date:
- Jun-13
- Sep-13
- Dec-13
- Mar-14
- Jun-14
- Sep-14
- Dec-14
- Mar-15

Billions:
- $0.0
- $50.0
- $100.0
- $150.0
- $200.0
- $250.0
- $300.0
- $350.0
- $400.0

Percentage:
- 0.00%
- 10.00%
- 20.00%
- 30.00%
- 40.00%
- 50.00%
- 60.00%
- 70.00%
- 80.00%
- 90.00%
Public Service Loan Forgiveness
Public Service Loan Forgiveness

120 qualifying payments
On Direct Loans
On qualifying repayment plans
While working at qualifying employer

- Borrower must also be employed by a qualifying organization at the time that the borrower applies for and receives PSLF
- According to the IRS, the forgiven amount is not treated as taxable income
PSLF – Qualifying Employment

Doesn’t matter what you do, it matters where you work.

1. Any government organization
2. 501(c)(3) not-for-profit organization
3. Other not-for-profit organizations providing specific qualifying services
PSLF – Qualifying Payments

- Must make 120 separate, monthly payments after October 1, 2007.
- Do not need to be consecutive.
- Must be for full amount due under plan.
- Must be made with 15 days of due date.
## PSLF – Amount of Payment

| Payments made when not required | • Do not qualify  
  • Example: deferment, forbearance, paid ahead |
|---------------------------------|--------------------------------------------------|
| Multiple partial payments       | • Count as one payment  
  • All must be received within 15 days of due date |
| Lump sum payments               | • Count as one payment  
  • Exceptions for AmeriCorps and Peace Corps borrowers |
PSLF – Qualifying Plan

• IDR plans are effectively required.

- 10-Year Standard
- IBR
- ICR
- PAYE
- REPAYE
- Others >= 10-Year Standard
PSLF – Eligible Loans

PSLF is only for Direct Loans, but all Direct Loans qualify.

Parent PLUS Loans

FFELP Loans

Perkins Loans

Consolidation restarts the “clock”
PSLF – Full-Time Employment

Full-time is the greater of:

- Must be a full-time employee or work multiple part-time jobs that equal full time
- For borrowers at a not-for-profit organization hours spent on religious instruction, worship services, or proselytizing cannot be factored into meeting the full-time employee requirement
Borrower submits form to FedLoan Servicing

FedLoan Servicing determines whether borrower has Direct Loans

FedLoan Servicing determines whether employment qualifies

All federally held loans transferred to FedLoan Servicing

FLS determines whether borrower made qualifying payments during period of employment on form

Borrower submits another Employment Certification Form

FedLoan Servicing updates count of qualifying payments to account for new period of employment
PSLF – Portfolio

311,372: number of borrowers submitting form

246,371: number of borrowers with DL & qualifying employment

Through May 2015
PSLF – Qualifying Employment

- **Govt.** 62.22%
- **501(c)(3)** 37.28%
- **AmeriCorps** 0.02%
- **Peace Corps** 0.07%
- **NFP** 0.42%

*Note: Oth. NFP 0.42%*
PSLF – Qualifying Payments

- >= 0 yrs., <= 2 yrs.: 55.64%
- > 2 yrs., <= 4 yrs.: 35.87%
- > 4 yrs., <= 6 yrs.: 7.00%
- > 6 yrs., <= 8 yrs.: 1.36%
- > 8 yrs., <= 10 yrs.: 0.13%
- > 10 yrs.: 0.00%
Relationship: IDR & PSLF

Income-Driven

- Additional interest catches up to borrower
- Lower payment than level plans
- Longer repayment period; sometimes forgiveness

Income-Driven & PSLF

- No taxation
- Lowest payment
- Shortest repayment period
- Additional interest does not catch up to borrower
QUESTIONS?

Visit [StudentAid.gov/IDR](http://StudentAid.gov/IDR) for more information about IDR plans.

Visit [StudentAid.gov/publicservice](http://StudentAid.gov/publicservice) for more information about PSLF.