INCOME-DRIVEN REPAYMENT PLANS
Is One Right for You?

The Department of Education offers three student loan repayment plans that are based on your income, family size, and student loan balance: Income-Contingent, Income-Based, and Pay As You Earn. Below, we offer an overview of each, including the factors you should consider when deciding if one of these plans is right for you.

Income-Contingent Repayment (ICR)

Which loans are eligible?

- Direct Subsidized and Unsubsidized Stafford Loans
- Direct PLUS loans made to students
- Direct Consolidation Loans (except for those made prior to July 1, 2006, which repaid a parent PLUS loan)

What are the key points?

- Payments are based on family size, adjusted gross income (AGI), and total balance of all Direct Loans
- Your payments will change as your income and family size change
- Any unpaid interest (due to payment amount) is capitalized annually
- The annual interest capitalization amount is limited so that your new balance will be no more than 10% greater than the loan amount at the time you entered repayment

How do I qualify?

- You must apply and submit required documentation
- Any borrower with an eligible loan type (listed to the left) can qualify

What should I consider before choosing this plan?

- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Plan
- If you haven't paid your loan in full after 25 years of qualifying payments, the remaining balance will be forgiven
- You may have to pay income tax on any amount that is forgiven
- This plan must be renewed annually
- If you do not renew, your monthly payment amount will change to what would have been required under a 10-year Standard Plan for the balance at the time you entered ICR
- Any forbearance or deferments applied while in the ICR Plan will follow normal interest capitalizing guidelines

Income-Based Repayment (IBR)

Which loans are eligible?

- Direct and Federal Family Education Loan Program (FFELP) Subsidized and Unsubsidized Stafford Loans
- Direct and FFELP PLUS loans made to students
- Direct and FFELP Consolidation Loans (except for those that repaid a parent PLUS loan)

What are the key points?

- Your monthly payment will be no more than 15% (or 10% if you are a new borrower[1]) of your discretionary income[2]
- Your payments will change as your income and family size change
- Interest will be subsidized for the first three years of the repayment plan for any Subsidized Stafford Loans

How do I qualify?

- You must apply and submit required documentation
- You must have a partial financial hardship[3]

What should I consider before choosing this plan?

- Your monthly payments will be lower than they would be under the 10-year Standard Plan
- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Plan
- If you haven't paid your loan in full after 25 (or 20 if you are a new borrower[1]) years of qualifying payments, the remaining balance will be forgiven
- You may have to pay income tax on any amount that is forgiven
- You can request to change to a different repayment plan at any time. However, you will need to make a payment upon exiting either for the amount you would pay under a Standard Plan taking into account the remaining maximum repayment period, or under a Reduced Payment Forbearance, before you can be placed into a different repayment plan
- Any forbearance or deferments applied while in the IBR Plan will follow normal interest capitalizing guidelines
- Your partial financial hardship status must be renewed annually through your loan servicer
- Any subsidy period used on a different income-driven repayment plan will count toward the subsidy period of the new income-driven repayment plan when transferring to a different plan that offers subsidy
- If you do not renew, your monthly payment amount will change to what would have been required under a 10-year Standard Plan for the balance at the time you entered IBR

[1]You are a new borrower for the IBR plan if you have no outstanding balance on a Direct Loan or FFEL Program loan as of July 1, 2014 or have no outstanding balance on a Direct Loan or FFEL Program loan when you obtain a new loan on or after July 1, 2014. [2]Discretionary income is defined as the difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence. Other conditions apply. [3]Partial financial hardship requires that the amount you would be required to pay on your eligible loans under this plan is lower than the amount you would be required to pay on your eligible loans under a Standard 10-year repayment plan.

Pay As You Earn

How do I qualify?

- You must apply and submit required documentation
- You must have a partial financial hardship[3]
- You must have received a disbursement of a new Direct Loan on or after October 1, 2011
- You must not have had an outstanding loan balance on a Direct or FFELP loan as of October 1, 2007, or no outstanding balance on a Direct or FFELP loan when you received a new loan on or after October 1, 2007

What are the key points?

- Your monthly payment will be no more than 10% of your discretionary income[2]
- Your payments will change as your income and family size change
- Any unpaid interest (due to payment amount) is capitalized when you no longer have a partial financial hardship or leave the plan
- Interest will be subsidized for the first three years of the repayment plan for any Subsidized Stafford Loans
- The interest capitalization amount is limited so that your new balance will be no more than 10% greater than the loan amount at the time you entered this plan

What should I consider before choosing this plan?

- Your monthly payments will be lower than they would be under the 10-year Standard Plan
- Any forbearance or deferments applied while in the Pay As You Earn Repayment Plan will follow normal interest capitalizing guidelines
- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Plan
- If you haven't paid your loan in full after 20 years of qualifying payments, the remaining balance will be forgiven
- You may have to pay income tax on any amount that is forgiven
- Your partial financial hardship status must be renewed annually through your loan servicer
- Any subsidy period used on a different income-driven repayment plan will count toward the subsidy period of the new plan when transferring to a different plan that offers subsidy
- If you do not renew, your monthly payment amount will change to what would have been required under a 10-year Standard Plan for the balance at the time you entered Pay As You Earn

Which loans are eligible?

- Direct Subsidized and Unsubsidized Stafford Loans
- Direct PLUS loans made to students
- Direct Consolidation Loans (except for those that repaid a parent PLUS loan)

Examples of Income-Driven Repayment Plans

Loan Balance: $30k; AGI: $30k; Unmarried Family of 1

	Standard	ICR	IBR (excluding new borrowers[1] as of July 1, 2014)	IBR (new borrowers[1] as of July 1, 2014) and Pay As You Earn (Direct Loans Only)
Initial Payment	$314	$206	$156	$104
Max Monthly Payment	$314	$270	$314	$314
Term (# of Months)	120	176	176	240
Total Interest	$7,658	$12,297	$13,485	$21,407
Total Paid	$37,658	$42,297	$43,485	$49,744
Amount Forgiven	N/A	N/A	N/A	$1,663

Loan Balance: $60k; AGI: $60k; Married Family of 3

	Standard	ICR	IBR (excluding new borrowers[1] as of July 1, 2014)	IBR (new borrowers[1] as of July 1, 2014) and Pay As You Earn (Direct Loans Only)
Initial Payment	$628	$546	$379	$253
Max Monthly Payment	$628	$669	$628	$628
Term (# of Months)	120	129	155	216
Total Interest	$15,316	$17,284	$22,395	$35,606
Total Paid	$75,316	$77,284	$82,395	$95,606
Amount Forgiven	N/A	N/A	N/A	N/A

Loan Balance: $100k; AGI: $90k; Unmarried Family of 1

	Standard	ICR	IBR (excluding new borrowers[1] as of July 1, 2014)	IBR (new borrowers[1] as of July 1, 2014) and Pay As You Earn (Direct Loans Only)
Initial Payment	$1,046	$1,091	$906	$604
Max Monthly Payment	$1,046	$1,257	$1,046	$1,046
Term (# of Months)	120	106	125	167
Total Interest	$25,526	$22,962	$27,248	$41,051
Total Paid	$125,526	$122,962	$127,248	$141,051
Amount Forgiven	N/A	N/A	N/A	N/A

Loan Balance: $250k; AGI: $90k; Married Family of 3

	Standard	ICR	IBR (excluding new borrowers[1] as of July 1, 2014)	IBR (new borrowers[1] as of July 1, 2014) and Pay As You Earn (Direct Loans Only)
Initial Payment	$2,615	$1,170	$754	$503
Max Monthly Payment	$2,615	$2,865	$2,615	$1,437
Term (# of Months)	120	209	300	240
Total Interest	$63,816	$139,575	$235,426	$215,350
Total Paid	$313,816	$389,575	$472,284	$215,350
Amount Forgiven	N/A	N/A	$13,142	$269,650

Based on current poverty guidelines. Assumes poverty guidelines, income, and family size remain constant throughout analysis period. Does not account for capping of interest due to other events. [1]You are a new borrower for the IBR plan if you have no outstanding balance on a Direct Loan or FFEL Program loan as of July 1, 2014 or have no outstanding balance on a Direct Loan or FFEL Program loan when you obtain a new loan on or after July 1, 2014. [2]Discretionary income is defined as the difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence. Other conditions apply. [3]Partial financial hardship requires that the amount you would be required to pay on your eligible loans under this plan is lower than the amount you would be required to pay on your eligible loans under a Standard 10-year repayment plan.

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