

# Income-Driven Repayment Plans

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## What Are Income-Driven Repayment Plans?

Income-driven repayment plans are designed to keep federal student loan borrowers' monthly payments low and affordable. Monthly payments are adjusted each year based on changes to annual income and family size.

## What is Income-Based Repayment (IBR), Pay As You Earn (PAYE), And Revised Pay As You Earn (REPAYE)?

These are specific income-driven repayment plans under the Federal Direct Loan program.

IBR, PAYE, and REPAYE		
<ul style="list-style-type: none"> <li>• Payments are based on income and family size and are recalculated each year</li> <li>• Student loans distributed to parents as well as private education loans are not eligible</li> <li>• Considered a good option for those considering Public Service Loan Forgiveness (PSLF)</li> <li>• Might have to pay income tax on any amount that is forgiven (after 20 to 25 years)</li> </ul>		
IBR	PAYE	REPAYE
<ul style="list-style-type: none"> <li>• Direct loans and Federal Family Education Loans (FFEL) made to students are eligible</li> <li>• Maximum monthly payment is 15% of discretionary income</li> <li>• Loans are forgiven in 25 years (20 years for new direct loan borrowers on or after 07/01/2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Only Direct loans made to students are eligible</li> <li>• Maximum monthly payment is 10% of discretionary income</li> <li>• Loans are forgiven after 20 years</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly payments can exceed the 10-year Standard Plan amount</li> <li>• Monthly payments are 10% of discretionary income</li> <li>• If married, income of both you and spouse will be considered, regardless of whether or not taxes are filed jointly or separately</li> </ul>

## What Is Public Service Loan Forgiveness?

Public Service Loan Forgiveness (PSLF) is a program you can enroll in regardless of what income-driven repayment plan you choose. If you are a public service employee and enroll in PSLF, after 10 years of public service (120 qualifying monthly loan payments), your loans will be forgiven. For more information talk to your loan servicer or visit [studentaid.ed.gov](http://studentaid.ed.gov).

## Which Loans Are Eligible For IBR, PAYE, And REPAYE?

IBR	PAYE	REPAYE
<ul style="list-style-type: none"> <li>• Direct and FFEL subsidized and unsubsidized loans</li> <li>• Direct and FFEL PLUS loans made to graduate or professional students</li> <li>• Direct and FFEL Consolidation Loans without underlying parent PLUS loans</li> </ul>	<ul style="list-style-type: none"> <li>• Direct subsidized and unsubsidized loans</li> <li>• Direct PLUS loans made to graduate or professional students</li> <li>• Direct Consolidation Loans without underlying parent PLUS loans</li> </ul>	<ul style="list-style-type: none"> <li>• Direct subsidized and unsubsidized loans</li> <li>• Direct PLUS loans made to students</li> <li>• Direct Consolidation Loans without Direct PLUS loans or FFEL PLUS loans made to parents</li> </ul>

### How Can I Qualify For Income-Based Repayment?

1. Your federal student Direct and FFEL loan debt must be high relative to your income.
  - Use the Department of Education’s calculator at [studentaid.ed.gov](https://studentaid.ed.gov) to see if you qualify. The calculator considers your family size, income, and state of residence to find your new monthly payment under IBR.

### How Can I Qualify For Pay As You Earn?

1. You had no outstanding balance on a Federal Direct Loan or a Federal Family Education Loan (FFEL) on October 1, 2007 and took a new loan on or after October 1, 2011.
2. Your federal student Direct loan debt must be high relative to your income.
  - Use the Department of Education’s calculator at [studentaid.ed.gov](https://studentaid.ed.gov) to see if you qualify. The calculator considers your family size, income, and state of residence to find your new monthly payment under PAYE.

### How Can I Qualify For Revised Pay As You Earn?

1. You are a Direct Loan borrower with a eligible loans (listed above).

### How To Enroll in IBR, PAYE, Or REPAYE

For more information and to enroll in IBR, PAYE, or REPAYE, contact the servicer of your student loan. To find your servicer, visit [nslds.ed.gov](https://nslds.ed.gov).

#### REMEMBER...

**You may pay more interest.** At any given interest rate, the faster you pay your loans, the less you pay in interest. Because REPAYE, PAYE and IBR may extend your repayment period, you may pay more total interest on the loan.

**You must submit annual documentation.** To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not submit your documentation, you’ll pay the amount you would be required under a 10-year standard plan.

#### SOURCES

Federal Student Aid: Repayment Plans: <https://studentaid.ed.gov/sa/repay-loans/understand/plans>

Federal Student Aid: Income-Driven Repayment Plans: <https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>