Income-Driven Repayment Comparison

Criteria	Income-Based Repayment (IBR)	Income-Contingent Repayment (ICR)	Pay As You Earn
New Borrower Requirement?	No, except where indicated*	No	Yes*
Loans Eligible and Ineligible to be Repaid Under the Plan	**Eligible Loans:** Direct and FFEL Subsidized and Unsubsidized Loans, Direct and FFEL Grad PLUS Loans, Direct and FFEL Consolidation Loans that did not repay any parent PLUS Loans **Ineligible Loans:** Defaulted Direct and FFEL loans, Direct and FFEL parent PLUS loans, Perkins loans, private loans, HEAL loans, Direct and FFEL Consolidation loans that repaid any parent PLUS loans	**Eligible Loans**: Direct Subsidized and Unsubsidized Loans, Direct Grad PLUS Loans, Direct Subsidized and Unsubsidized Consolidation Loans, including Direct Unsubsidized Consolidation loans made **on or after** July 1, 2006 that repaid any parent PLUS Loans **Ineligible Loans:** Defaulted Direct loans, Direct parent PLUS loans, Perkins loans, private loans, HEAL loans, all FFELP loans (including FFELP loans owned by Dept. of Education), and Direct PLUS Consolidation Loans made **prior** to July 1, 2006 that repaid any parent PLUS loans	**Eligible Loans**: Direct Subsidized and Unsubsidized Loans, Direct Grad PLUS Loans, Direct Consolidation Loans that did not repay any parent PLUS Loans **Ineligible Loans:** Defaulted Direct loans, Direct parent PLUS loans, Perkins loans, private loans, HEAL loans, all FFELP loans (including FFELP loans owned by Dept of Education), and Direct Consolidation loans that repaid any parent PLUS loans
Partial Financial Hardship (PFH)	You must have a PFH to begin repayment under IBR, and to retain an income-derived payment* under IBR in subsequent years A PFH exists when the annual amount due on your eligible loans, as calculated under the 10-year standard repayment plan, exceeds 15% (10% if you are a *new borrower**) of your Discretionary Income *(includes spouse's eligible loans if taxes filed jointly)*	Not applicable	You must have a PFH to begin 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 your eligible loans, as calculated under the 10-year standard repayment plan, exceeds 10% of your Discretionary Income *(includes spouse's eligible loans if taxes filed jointly*
Discretionary Income	Amount by which the Adjusted Gross Income (AGI) on your tax return (or annual income based on your Alternative Documentation of Income) exceeds 150% of the applicable Poverty Guideline* *(includes spouse's income if taxes filed jointly)*	Amount by which the Adjusted Gross Income (AGI) on your tax return (or annual income based on your Alternative Documentation of Income) exceeds 100% of the applicable Poverty Guideline* *(includes spouse's income if taxes filed jointly)*	Amount by which the Adjusted Gross Income (AGI) on your tax return (or annual income based on your Alternative Documentation of Income) exceeds 150% of the applicable Poverty Guideline* *(includes spouse's income if taxes filed jointly)*

This chart compares selected criteria as of 3/13/2014 for the income-based, income-contingent, and Pay As You 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.

NCHER Regulations Committee 3/2014

Income-Driven Repayment Plans

Criteria	Income-Based Repayment (IBR)	Income-Contingent Repayment (ICR)	Pay As You Earn
Income-Derived Payment*	15% (10% if you are a *new borrower**) x [AGI less Discretionary Income] ÷ 12 Minimum Monthly Payment: $0	**Lesser of:** 20% x [AGI less Discretionary Income] ÷ 12 **OR** 12-year standard payment multiplied by Income Percentage Factor* Minimum Monthly Payment: $0	10% x [AGI less Discretionary Income] ÷ 12 Minimum Monthly Payment: $0
Payment When Borrower Ceases to Have a PFH	10-year standard payment using total indebtedness upon entering IBR	Not applicable	10-year standard payment using total indebtedness upon entering Pay As You Earn
Payment When Borrower Does Not Re-certify Income	10-year standard payment using total indebtedness upon entering IBR	10-year standard payment using total indebtedness upon entering ICR	10-year standard payment using total indebtedness upon entering Pay As You Earn
Temporary Interest Subsidy?*	On subsidized loans (first 3 years), if eligible*	Not applicable	On subsidized loans (first 3 years), if eligible*
Number of Payments Required for Loan Forgiveness*	300 qualifying payments over at least 25 years (240 qualifying payments over at least 20 years if you are a *new borrower**)	300 qualifying payments over at least 25 years	240 qualifying payments over at least 20 years
Interest Capitalization	Unpaid interest is added to the principal amount of your loan when you no longer have a PFH (no maximum) and if you choose to leave 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 of your loan when you no longer have a PFH (up to a maximum of 10% of the loan balance when you entered Pay As You Earn) and if you choose 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 your family size, income, and state of residence (and student loan amounts in some cases for ICR). The formula does not consider other debts or expenses, and the formula varies by repayment plan selected.
Income Percentage Factor	Applies only to the ICR plan. The income-percentage factor is an amount published annually by the U.S. Department of Education that is used to calculate your "Income-Derived" Payment. The income-percentage factor that is used for the payment calculation is based on your annual income.
Loan Forgiveness	If your loan is not fully repaid after making the designated number of qualifying payments, and the minimum amount of time has passed, the remaining principal balance and accrued interest on the loan is forgiven. ***Under current IRS rules, amounts forgiven based solely on your participation in an income-driven repayment plan are considered taxable income.***
New Borrower	**For the IBR plan**—A *new borrower* is one who: Has no outstanding balance on a Direct or FFEL Program loan as of July 1, 2014, or has no outstanding balance on a Direct or FFEL Program loan when he or she obtains a new loan on or after July 1, 2014. ***Exception**: An individual is not a new borrower if he or she receives a Direct Consolidation Loan that repays Direct Loans or FFEL Program loans that otherwise made the borrower ineligible, i.e., loans made prior to July 1, 2014*. **For 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, Unsubsidized, 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 Guideline	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 your family size and state of residence. If you are not a resident of a state identified in the poverty guidelines (e.g., foreign country), the amount for the 48 contiguous states must be used.
Temporary Interest Subsidy	If the amount of your monthly payment that is allocated to a subsidized loan, or to the subsidized portion of a Consolidation loan, does not cover the monthly interest accruing on that loan or portion, you may not be 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). If you are a first-time borrower on or after July 1, 2013, other factors may limit this subsidy eligibility even further; contact your loan servicer for more details.

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 monthly payment amount. A calculator is available at StudentAid.gov/repayment-estimator to estimate and compare your payment amounts under all available repayment plans. 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 into a Direct Consolidation loan and are employed by certain public service/non-profit 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 PSLF and/or 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. However, keep in mind that by taking out a Direct Consolidation loan while on active duty, you 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 IBR or Pay As You Earn payment amount doesn't cover the interest that accrues on your loans each month, you may not be required to pay the amount of monthly accrued interest that exceeds your monthly payment amount on your eligible subsidized loans. This benefit is limited to the first three consecutive years of repayment under these plans for those borrowers who qualify. 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 three-year clock.

- If you are repaying your loans under the IBR, Pay As You Earn or Income-Contingent Repayment (ICR) plan, you are required to annually submit documentation of your income and recertify your 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 during the year. 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 you make under any eligible Direct Loan repayment plan (IBR, ICR, Pay As You Earn, standard 10-year), 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.

- If you have Direct Loans, you can complete your request for an income-driven repayment plan online by visiting StudentLoans.gov. If you have FFEL Loans, contact your loan servicer for more information.

FAQs

Q1. Can I make a lump sum payment to accelerate the forgiveness of my loan?

A1. Lump sum payments may be applied as future payments and, if otherwise eligible, may count toward the required number of payments (120, 240 or 300, as applicable) for forgiveness. However, the other criterion for forgiveness is that the required number of years (10, 20 or 25, as applicable) must have also passed. So a borrower may not accelerate the forgiveness by paying ahead.

Q2 – What if I filed a joint tax return for the prior year but am now divorced; must I include my ex-spouse's AGI and can I and my ex-spouse repay our loans together?

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

Q3 – What if my family size or income changes during the year?

A3 – If your circumstances change during the annual payment period previously established, you 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 your request for early re-evaluation.

Q4 – What happens to the temporary interest subsidy if I switch 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 you switch to another plan.

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

A5 – Near the end of the current annual 12-month payment period, your loan holder will notify you that it is time to submit updated "renewal" documentation to determine if you are 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 you must provide "renewal" documentation and explain that if the loan holder does not receive the required documentation within 10 days after the listed deadline, your 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 you that failure to provide the "renewal" documentation in a timely manner will result in capitalization (added to the principal balance) of all of the accrued unpaid interest on your loans. For Pay As You Earn, accrued interest will be capitalized subject to the 10% maximum.