

# Understanding Repayment Benefits for Federal Student Loans

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U.S. Department of Education, Office of Federal Student Aid

# Federal Student Loan Programs

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## Direct Loan (DL) Program

- Loans made by ED

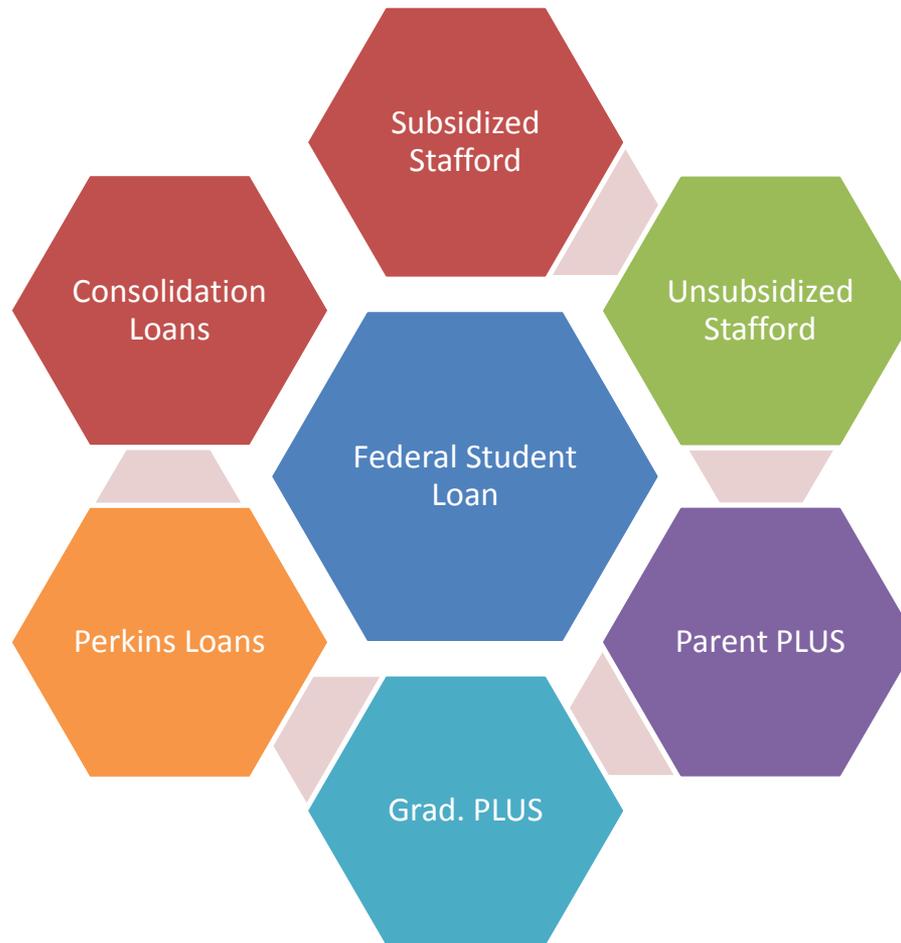
## Federal Family Education Loan (FFEL) Program

- Loans made by banks, guaranteed by ED
- Ended on June 30, 2010

## Federal Perkins Loan Program

- Loans made by schools

# Federal Student Loan Types



# Income-Driven Repayment Plans (IDR)

# Payment Amounts

Most IDR plans have two formulas--for those that do, borrowers always pay the lesser of the two.

Repayment Plan	Payment based only on income	Payment based on loan debt
<b>ICR</b> Income-Contingent Repayment	20% of discretionary income	12-year standard payment adjusted based on income
<b>IBR</b> Income-Based Repayment	15% of discretionary income	10-year standard amount
<b>PAYE</b> Pay As You Earn	10% of discretionary income	10-year standard amount
<b>REPAYE</b> Revised Pay As You Earn	10% of discretionary income	None

# Estimate your student loan

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the AMERICAN MIND™ **Repayment Estimator**

[Repayment Plans](#) » Repayment Estimator

Use the Repayment Estimator to estimate your federal student loan payments under each repayment plan.

**Sign In**

To view estimates based on your actual loan information

Or

**Proceed**

To continue to the Repayment Estimator without signing in

[StudentAid.gov/repayment-estimator](https://StudentAid.gov/repayment-estimator)

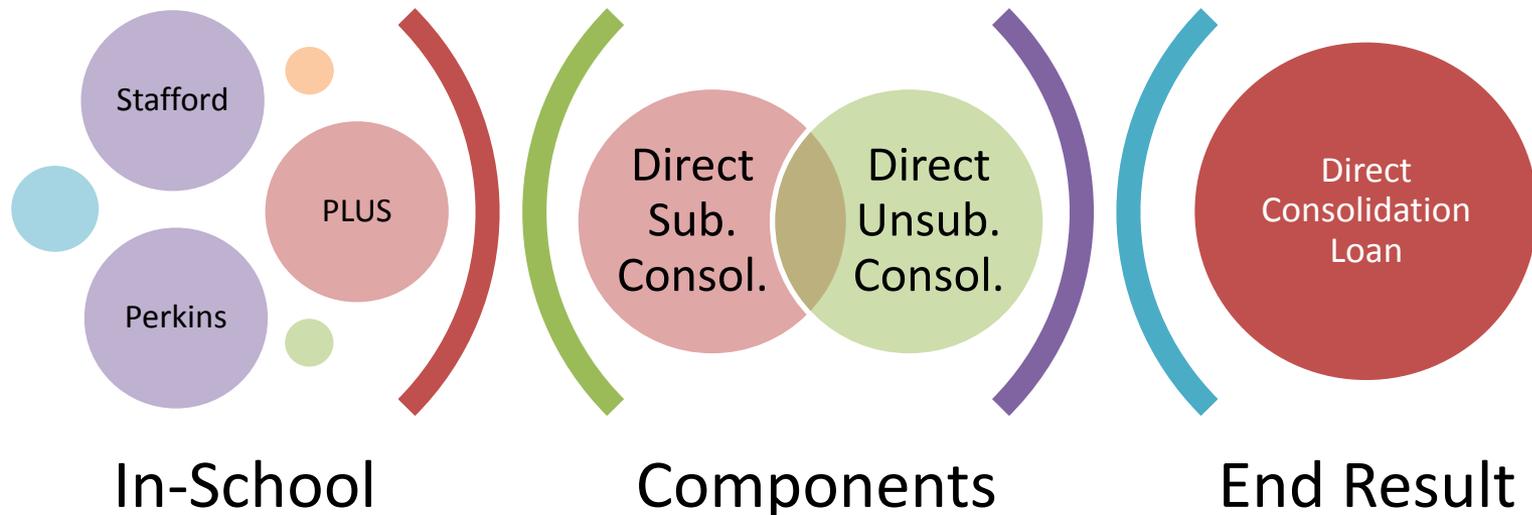
# Eligible Loan Programs

Loan Program	ICR	IBR	PAYE	REPAYE
Direct Loans	X	X	X	X
FFELP		X		
Perkins Loans				

# Eligible Loan Type

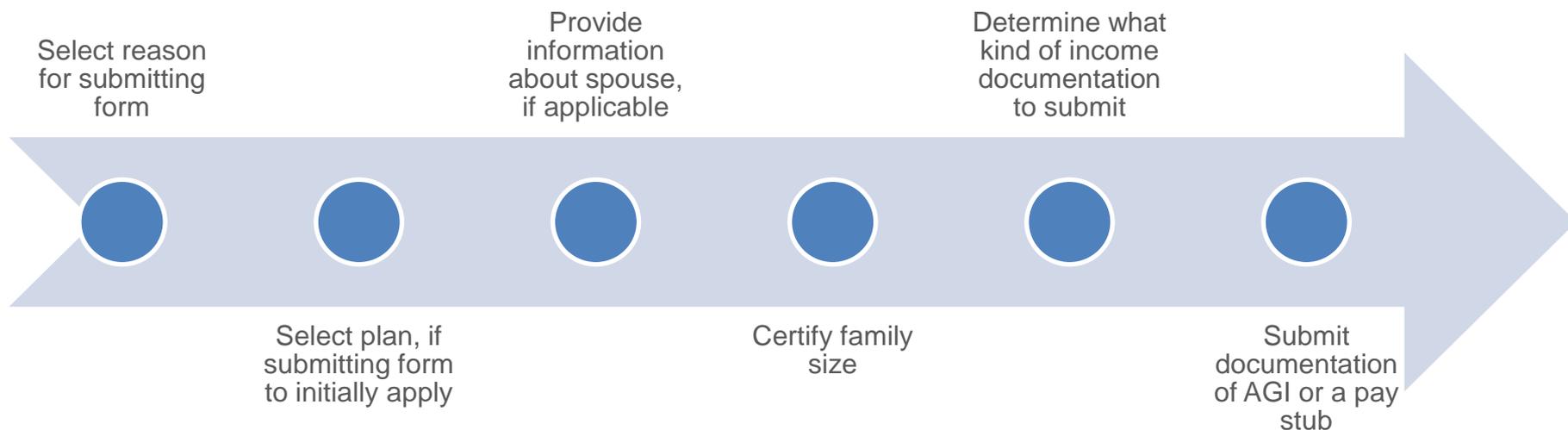
Loan Type	ICR	IBR	PAYE	REPAYE
Loan received as student	X	X	X	X
Loan received as parent				
Consolidation (no underlying parent loans)	X	X	X	X
Consolidation (underlying parent loans)	X			

# Consolidation: [StudentLoans.gov](https://studentloans.gov)



- Amount of time to repay under standard and graduated depends on how much you have in student loans, including private loans (10 -30 years)
- Weigh the pros and cons of consolidation: [StudentAid.gov/repay-loans/consolidation](https://studentaid.gov/repay-loans/consolidation)
- Interest rate is weighted average of consolidated loans

# Applying: StudentLoans.gov



\*\* When applying for an IDR plan, you **never** have to pay to get help. Your loan servicer will guide you through the process, for **free**.

# Application Process: Spouses

Repayment Plan	Married borrower filing jointly	Married borrower filing separately
ICR	Use joint income	Use borrower's income
IBR	Use joint income	Use borrower's income
PAYE	Use joint income	Use borrower's income
REPAYE	Use joint income	Combine income of borrower and borrower's spouse

# Application Process: Spouses

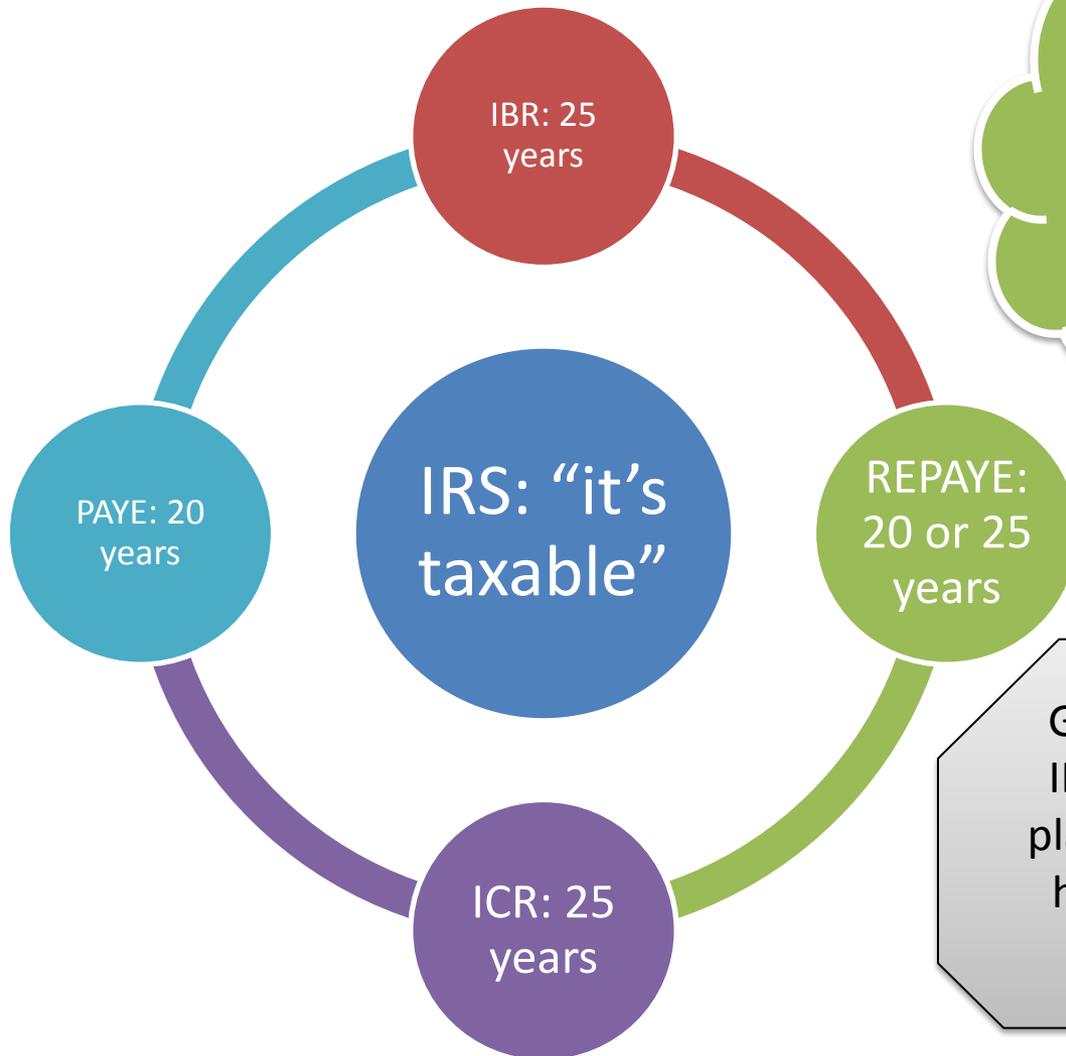
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Almost all married borrowers provide spouse's income documentation

Only used by servicer when relevant

Exception for those who are separated or cannot access spouse's income

# Loan Forgiveness



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

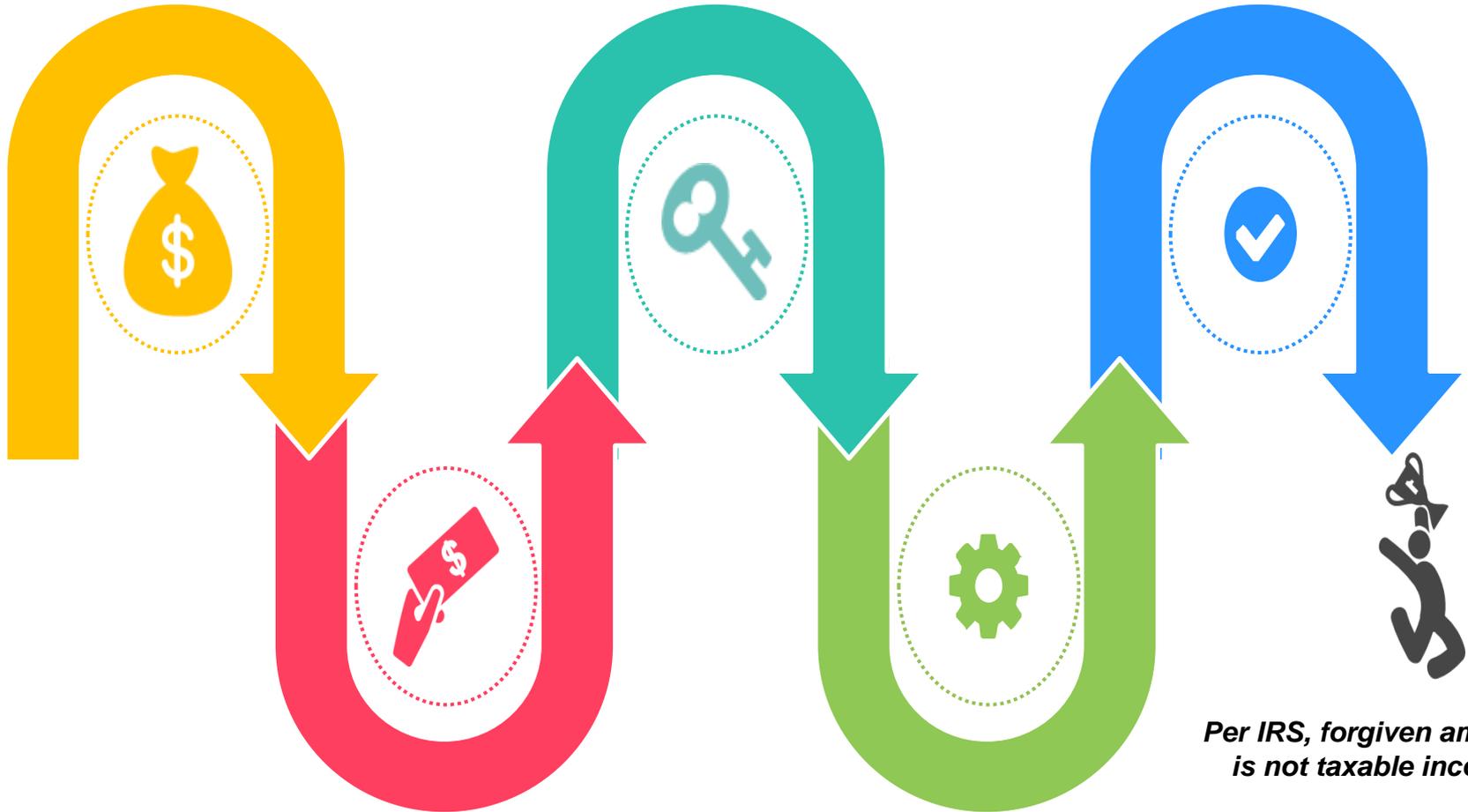
# Public Service Loan Forgiveness (PSLF)

# PSLF Basics

120 Qualifying Payments

In Qualifying Repayment Plans

...When Applying For & Receiving PSLF

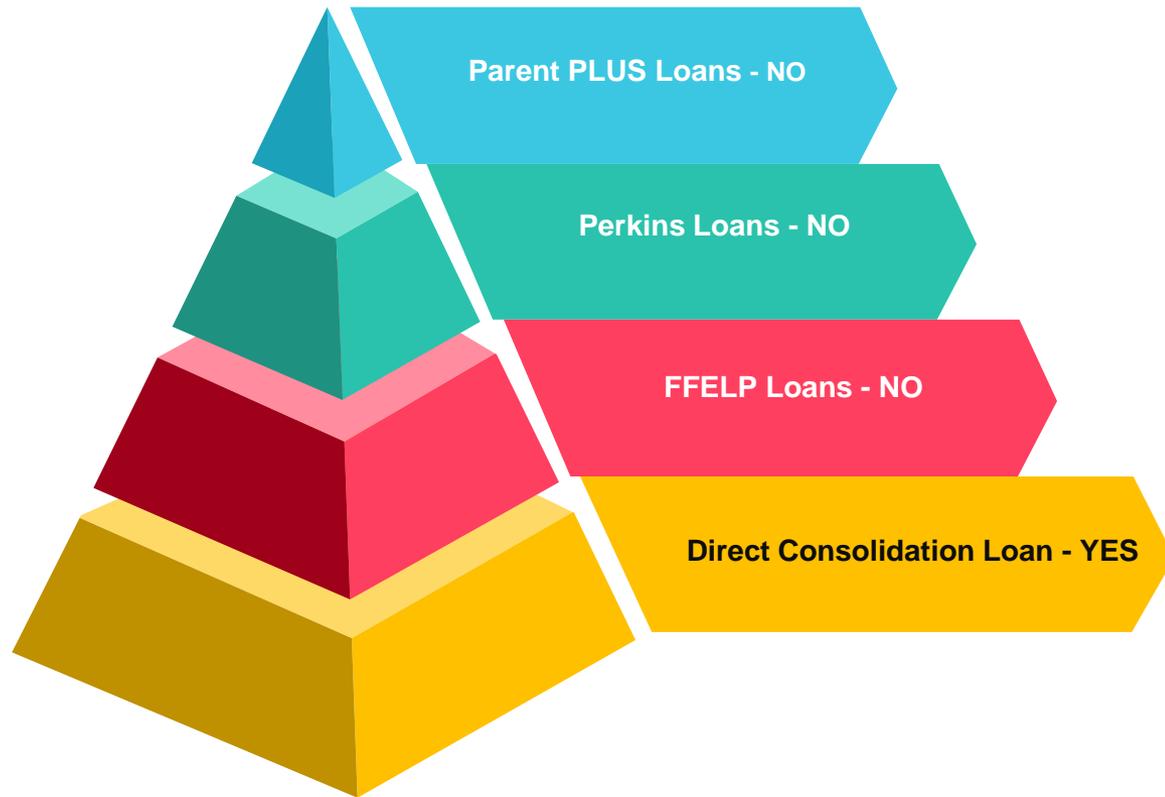


On Direct Loans

While Working For A Qualifying Employer...

*Per IRS, forgiven amount is not taxable income*

# PSLF Eligible Loans



# PSLF Qualifying Employment

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It matters where you work, not what you do...

**501(c)(3) not-for-profit organization**



**Other not-for-profit organizations providing specific qualifying services**

**Any government organization**

# PSLF – Full-Time Employment

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For PSLF, full-time employment is the greater of:



# PSLF Qualifying Repayment Plans

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- 10-Year Standard
- IBR
- ICR
- PAYE
- REPAYE

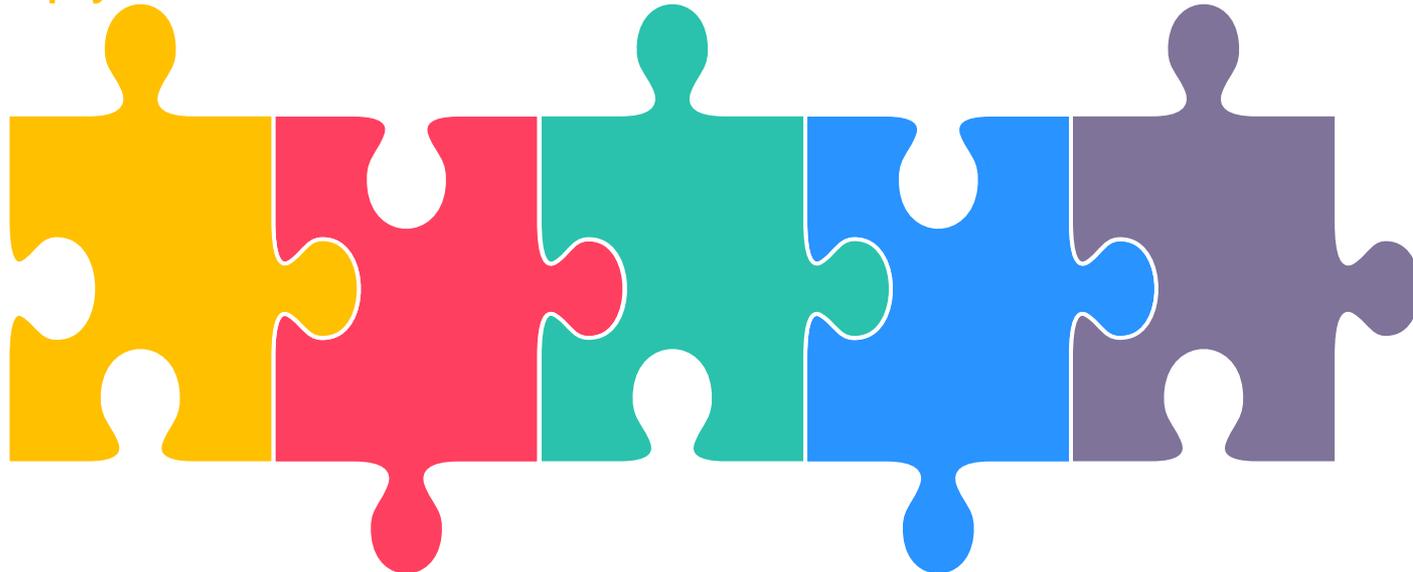
You need to switch to an income-driven plans to get forgiveness

# PSLF Qualifying Payments

120 separate  
monthly  
payments\*

Do not need to be  
consecutive

Must be made  
within 15 days of  
due date



After October 1,  
2007

Must be for full  
amount due under  
plan

*\*Exception for AmeriCorps, Peace Corp, and DOD*

# PSLF – Employment Certification

- Employment Certification Form allows borrowers to receive confirmation that employment and payments qualify.
- Submitted to FedLoan Servicing (FLS).
- Employer must sign, but information only used for PSLF.

Borrower  
submits form to  
FLS

FLS determines  
whether  
employment  
qualifies

FLS has loans  
transferred to  
FLS

FLS determines  
how many  
qualifying  
payments made

Borrower  
submits another  
form

FLS determines  
how many new  
qualifying  
payments made

Let's tie it all together...

# Billy Borrower

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- Billy Borrower:
  - Is single with no dependents and lives in DC
  - Has an AGI of \$35,000 that rises at 5% per year
  - 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
  - He has been employed full-time for a federal agency since graduation

# Billy Borrower

## Repayment **without** Public Service Loan Forgiveness

Plan	Initial Payment	Final Payment	Time to Repay	Total Interest	Total Paid	Forgiveness
Standard	\$555	\$555	10 yrs.	\$16,612	\$66,612	N/A
Extended	\$372	\$372	25 yrs.	\$61,645	\$111,645	N/A
ICR	\$385	\$469	~15 yrs.	\$26,803	\$76,803	\$0
IBR	\$215	\$555	~20 yrs.	\$42,248	\$92,249	\$0
PAYE	\$143	\$507	20 yrs.	\$58,484	\$71,172	\$37,311
REPAYE	\$143	\$681	25 yrs.	\$58,780	\$107,641	\$1,139

# Billy Borrower

## Repayment **with** Public Service Loan Forgiveness

Plan	Initial Payment	Final Payment	Time to Repay	Total Interest	Total Paid	Forgiveness
Standard	\$555	\$555	10 yrs.	\$16,612	\$66,612	\$0
Extended	N/A	N/A	N/A	N/A	N/A	N/A
ICR	\$385	\$439	10 yrs.	\$23,132	\$49,490	\$23,172
IBR	\$215	\$406	10 yrs.	\$29,089	\$36,540	\$42,429
PAYE	\$143	\$271	10 yrs.	\$23,132	\$24,360	\$55,591
REPAYE	\$143	\$271	10 yrs.	\$24,360	\$24,360	\$51,892

# Military Benefits While in Repayment

# Military Benefits While in Repayment

It is always important to remember Military borrowers have certain benefits available to them.

## SCRA

- Servicemember Civil Relief Act
- 6% interest rate cap
- While on active duty
- Only loans made prior to active duty

## No interest (Direct Loans)

- While on active duty
- While receiving hostile pay
- Limited to 5 years
- Only loans made on/after October 1, 2008

## Military deferment

- While on active duty while in support of war, national emergency, or contingency operation

# Resources

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- StudentAid.gov
  - My Federal Student Aid, [StudentAid.gov/login](https://studentaid.gov/login)
  - [StudentAid.gov/Repayment-Estimator](https://studentaid.gov/Repayment-Estimator)
  - [StudentAid.gov/publicservice](https://studentaid.gov/publicservice)
  - Loan Servicer Contact, <https://studentaid.ed.gov/sa/repay-loans/understand/servicers>

**ALERT:** You **never** have to pay to get help managing your federal student loan debt! Your loan servicer can provide you with **FREE** assistance.
- Department of Education's Home Room Blog, [Blog.ed.gov](https://blog.ed.gov)
  - [Learn the Secrets to Expanding Your Student Loan Repayment Benefits](#)
  - [Which Income-Driven Repayment Plan is Right for You?](#)

# Questions?

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