

Repayment Plans Compared: Income-Driven Plans

	<u>Saving on a Valuable Education (SAVE)</u> Replaces the Revised Pay As You Earn Plan (REPAYE).	<u>Pay As You Earn (PAYE)</u> Plan sunsets (no longer available) 7/1/2024	<u>Income-Contingent Repayment (ICR)</u> Plan sunsets (no longer available) 7/1/2024
Eligible Loans	Direct only; FFEL loans can be consolidated into a Direct Consolidation loan to qualify.	Direct only.	Direct only.
Advantages	Eliminates unpaid monthly interest after scheduled monthly payment is made.	<u>Capitalization</u> cannot exceed 10% of the loan amount that enters plan. After reaching limit, interest will continue to accrue but not capitalize.	Payments may initially be lower than traditional plan but will increase as income increases. Capitalized interest cannot exceed 10% of the loan amount that enters plan. After this, interest accrues, but does not <u>capitalize</u> .
Payment Calculation	Graduate debt payment is based on 10% of discretionary income; payment for graduate and undergraduate debt will be a weighted average of between 5% and 10% of discretionary income.	Payments calculated at 10% of borrower's monthly <u>discretionary income</u> and based on family size and household AGI. Payment is capped at 10-year Standard payment amount (determined when entering PAYE).	Payments based on the lesser of 20% of borrower's monthly <u>discretionary income</u> or monthly payment on a 12-year plan times a percentage factor based on the borrower's income.
Term	Up to 25 years to repay for graduate/professional borrowers.	Up to 20 years to repay (after this, any remaining balance is forgiven – but taxable).	Up to 25 years to repay (after which any remaining balance is forgiven – but will be taxable).
Eligibility Requirements	No additional eligibility requirements.	Must have a <u>Partial Financial Hardship (PFH)</u> , be a new borrower on or after Oct. 1, 2007, and have a Direct Loan disbursement on or after Oct. 1, 2011.	No initial income eligibility. Payments based on income and family size.
PSLF Eligible	Yes	Yes	Yes
Other Considerations	Will likely provide the lowest monthly payment of any Income-Driven Repayment (IDR) plans. Spousal income excluded when married tax filers file separately. Spouse also excluded from household size when filing separately.	Income and family size verified annually. Excludes spousal income when married borrowers file taxes separately.	Income and family size verified annually; no cap on the maximum monthly payment.

For more details about all repayment plans, go to the Federal Student Aid website at studentaid.gov.

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	<u>Income-Based Repayment (IBR)</u> For those who borrowed before 7/1/2014	<u>Income-Based Repayment (IBR)</u> For new borrowers on or after 7/1/2014
Eligible Loans	Direct and FFEL	Direct only
Advantages	Provides affordable payments based on family size and household adjusted gross income (AGI); no limit on interest capitalization .	Payments mirror PAYE, but no limit on interest capitalization .
Payment Calculation	Payments calculated at 15% of a borrower's monthly discretionary income and based on borrower's family size and household AGI. Payment amount capped at 10-year Standard payment amount (determined when borrower enters IBR).	Payments calculated at 10% of borrower's monthly discretionary income and based on family size and household AGI. Payment amount capped at 10-year Standard payment amount (determined when borrower enters IBR).
Term	Up to 25 years to repay (after this, remaining balance is forgiven – but taxable).	Up to 20 years to repay (after this, remaining balance is forgiven – but taxable).
Eligibility Requirements	Must have a Partial Financial Hardship (PFH) to qualify.	Must be a new borrower on or after July 1, 2014, and have a PFH to qualify.
PSLF Eligible	Yes	Yes
Other Considerations	Income and family size verified annually; payments can be as low as \$0/month. If filing taxes jointly, spouse's income is used in calculating eligibility and monthly payment.	Income and family size verified annually; payments can be as low as \$0/month. If filing taxes jointly, spouse's income is used in calculating eligibility and monthly payment.
Additional Information	After the PAYE and ICR plans sunset on July 1, 2024, the available income-driven repayment plans will be SAVE and IBR.	

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Repayment Plans Compared: Traditional Plans

	<u>Standard</u>	<u>Extended</u>	<u>Graduated</u>
Eligible Loans	Direct and FFEL	Direct and FFEL	Direct and FFEL
Advantages	May result in lowest total repayment costs.	Offers reduced monthly payment without consolidating.	Could be a plan for those expecting an increase in income within 2 years of starting repayment.
Payment Calculation	Equal payments over the term; payment based on total amount borrowed.	Equal monthly payments stretched over a longer term; payment is based on total amount borrowed.	Payment begins lower (interest only) and then increases every two years.
Term	10 years to repay (up to 30 years if consolidated).	Up to 25 years to repay.	10 years to repay (up to 30 years if consolidated).
Eligibility Requirements	Available upon request.	Must owe more than \$30,000 in Direct Loans or FFEL.	Available upon request.
PSLF Eligible	Yes	No	No
Other Considerations	Default plan if no other plan is selected. Direct Consolidation Loans must be repaid on a 10-year Standard plan (or an income-driven repayment plan) to qualify for PSLF.	Plan generally costs more than other traditional repayment plans due to longer term and interest costs.	Minimum payment is interest only, which results in higher interest costs compared to the Standard plan.

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