



# INCOME-DRIVEN REPAYMENT PLANS

## Is One Right for You?

The Department of Education now 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, that repaid a parent PLUS loan)

#### What are the key points?

- Payments are based on family size, adjusted gross income, 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 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?

- Any borrower with an eligible loan type (listed to the left) can qualify

#### What should I consider before choosing this plan?

- You'll pay more 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 will change to what is required under a 10-year standard plan

### 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% of your discretionary income\*
- Your payments will change as your income and family size change

#### How do I qualify?

- You must apply and submit required documentation
- You must have a partial financial hardship\*\*

#### 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 pay more 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
- Your partial financial hardship status must be renewed annually through your loan servicer
- If you do not renew, your monthly payment will change to what is required under a 10-year standard plan

### Pay As You Earn *(continued on next page)*

#### 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)

#### What are the key points?

- Your monthly payment will be no more than 10% of your discretionary income\*
- 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
- The 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

\*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.

\*\*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.



# INCOME-DRIVEN REPAYMENT PLANS Is One Right for You?

## Pay As You Earn *(continued from previous page)*

### How do I qualify?

- 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
- You must apply and submit required documentation
- You must have a partial financial hardship\*\*

### 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 pay more 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
- If you do not renew, your monthly payment will change to what is required under a 10-year standard plan

## Examples of Income-Driven Repayment Plans

Loan Balance: 30k, AGI: 30k, Unmarried Family of 1				
	Standard	ICR	IBR	Pay As You Earn
Monthly Payment (Min.)	\$345.24	\$235.72	\$166.00	\$110.38
Monthly Payment (Max.)	N/A	\$273.60	N/A	N/A
Term (# of Months)	120	200	300	240
Total Interest	\$11,429	\$20,891	\$49,800	\$26,490
Total Paid	\$41,429	\$50,891	\$49,800	\$26,490
Amount Forgiven	N/A	N/A	\$30,000	\$30,000

Loan Balance: 30k, AGI: 30k, Married Family of 3				
	Standard	ICR	IBR	Pay As You Earn
Monthly Payment (Min.)	\$345.24	\$181.83	\$17.00	\$11.38
Monthly Payment (Max.)	N/A	\$276.27	N/A	N/A
Term (# of Months)	120	228	300	240
Total Interest	\$11,429	\$25,465	\$5,100	\$2,730
Total Paid	\$41,429	\$55,465	\$5,100	\$2,730
Amount Forgiven	N/A	N/A	\$30,000	\$30,000

Loan Balance: 30k, AGI: 60k, Unmarried Family of 1				
	Standard	ICR	IBR	Pay As You Earn
Monthly Payment (Min.)	\$345.24	\$305.33	\$345.24	\$345.24
Monthly Payment (Max.)	N/A	\$344.04	N/A	N/A
Term (# of Months)	120	134	120	120
Total Interest	\$11,429	\$13,234	\$11,429	\$11,429
Total Paid	\$41,429	\$43,234	\$41,429	\$41,429
Amount Forgiven	N/A	N/A	N/A	N/A

Loan Balance: 60k, AGI: 60k, Married Family of 3				
	Standard	ICR	IBR	Pay As You Earn
Monthly Payment (Min.)	\$690.48	\$610.65	\$392.00	\$261.38
Monthly Payment (Max.)	N/A	\$662.24	N/A	N/A
Term (# of Months)	120	138	300	240
Total Interest	\$22,858	\$26,960	\$76,785	\$62,730
Total Paid	\$82,858	\$86,960	\$117,600	\$62,730
Amount Forgiven	N/A	N/A	\$19,185	\$60,000

Based on 2012 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.

If you have a Nelnet-serviced loan and want more information, visit [Nelnet.com](http://Nelnet.com) or call **888.486.4722**.

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