Student Loan Ombudsman Caucus

Repayment Plans

Selecting the right repayment plan is important in the successful management of your student loan. You can change repayment plans – contact your lender/servicer to discuss your options. You can also use the Department of Education's repayment calculator at www.StudentAid.gov/repayment-estimator to estimate and compare your student loan repayment plan options.

Standard Repayment

Under this plan you pay the same amount for each installment payment throughout the entire repayment period or pay an amount that is adjusted to reflect annual changes in the loan's variable interest rate. You are automatically assigned this repayment plan if you do not choose among the others.

Comparison
You pay the least amount of interest over time than other plans.

Pros: Repays the loan in the shortest amount of time
Usually results in the lowest total interest charges
Level payment for borrower budgeting
Cons: Highest payment amount

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Subsidized and Unsubsidized FFEL Loans
Direct and FFEL Grad and parent PLUS Loans

Monthly Payment
Fixed amount of $50 or more
Take your loan amount divided by 120. (That is 10 years of 12 monthly payments each year). Your loan payment will be at least this amount + interest.

Time Frame
Up to 10 years

Graduated Repayment

Your payments start low, but increase over time. No single payment will be more than three times that of a previous payment amount. If you expect that your income will steadily increase over time, this plan may the best for you.

Comparison
You pay more interest than standard plan, but payments become easier as your income increases over time.

Pros: Smaller payments at the beginning of repayment
Cons: Requires more interest over repayment period

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Subsidized and Unsubsidized FFEL Loans
Direct and FFEL Grad and parent PLUS Loans
Monthly Payment
Start low and usually increase every two years

Time Frame
Up to 10 years

Extended Repayment

This payment plan provides a longer repayment schedule over a period not to exceed 25 years. This plan is limited to "new borrowers" on or after October 7, 1998 with an outstanding balance of at least $30,000 principal and interest in Direct or at least $30,000 principal and interest in FFEL loans. This is a good plan if you will need to make smaller monthly payments.

Comparison
Since the repayment period will be 25 years, your monthly payments will be less than those under the standard plan. You will pay more interest because your loan is on a longer repayment plan.

Pros: Smaller payment since repayment is spread out over 25 years
May provide a Level or Graduated repayment schedule over the 25-year period
No annual income recertification requirement

Cons: Borrowers will pay more interest, especially if the graduated schedule is selected
Requires a longer repayment period

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Subsidized and Unsubsidized FFEL Loans
Direct and FFEL Grad and parent PLUS Loans

Monthly Payment
You can choose either fixed payments or ones that start low and increase over time

Time Frame
Up to 25 years

Income-Based Repayment (IBR)

This repayment plan requires you have a partial financial hardship. Under this plan, monthly payments are capped at 15% (10% if you are a *new borrower**) of your discretionary income, and readjusted each year based on your income, family size and state of residency. After the equivalent of 25 years of qualifying monthly payments the remaining balance is forgiven.

Comparison
While you pay more for your loan over time, payments are lower than standard plan. If you have not repaid your loan in full after making the equivalent of 25 years (20 years if you are a *new borrower**) of qualifying monthly payments, any outstanding balance on your loan will be forgiven. *Under current IRS regulations, the amount forgiven is considered taxable income.*

New borrower – For the IBR plan, 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.*

Pros: Your payments change as your income changes
Government will pay unpaid accrued interest on certain loans for up to three consecutive years if your payments do not cover the interest.
You can continue with making payments under this plan even if you no longer have a partial financial hardship.

Cons: Requires more interest over the repayment period than the standard plan
Requires an annual recertification process

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Subsidized and Unsubsidized FFEL Loans
Direct and FFEL Grad PLUS Loans
Direct and FFEL Consolidation Loans that did not repay any parent PLUS Loans

Monthly Payment
The amount will be 15% (10% if you are a *new borrower**) of your discretionary income (includes spouse's income if taxes are filed jointly). Your discretionary income is the difference between your adjusted gross income and 150% of the applicable poverty guideline for your family size and state of residence.

Time Frame
Up to 25 years

Pay As You Earn

Under this plan monthly payments are capped at 10% of your discretionary income, and readjusted each year based on income, family size and state of residency. After 20 years the remaining balance is forgiven. This repayment plan too requires you show a partial financial hardship. This plan is for those with a high level of federal student loan debt compared to their income, and who took out their first federal student loan after Oct. 1, 2007. This plan generally has the lowest monthly payments of all the repayment plans offered. You must have received a disbursement of a Direct Loan on or after Oct. 1, 2011. If you are facing a partial financial hardship, this plan offers you the lowest monthly payment amount of the repayment plans based on your income, family size and state of residency.

Comparison
Lower payments but you will pay more for your loan over time than the standard plan. If you do not repay your loan after making the equivalent of 20 years of qualifying monthly payments, the unpaid portion will be forgiven. *Under current IRS regulations, the amount forgiven is considered taxable income.*

Pros: Smaller payments more closely tied to income
Government will pay unpaid accrued interest on certain loans for up to three consecutive years if your payments don't cover the interest
Can continue with making payments under this plan even if you no longer have a partial financial hardship

Cons: Requires more interest over the repayment period
Requires an annual recertification process

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Direct Grad PLUS Loans
Direct Consolidation Loans that did not repay any parent PLUS Loans

Monthly Payment
The maximum monthly payment will be 10% of your discretionary income (includes spouse's income if taxes are filed jointly), which is based on a formula that includes your adjusted gross income, family size and state of residence. Payments are adjusted annually.

Time Frame
Up to 20 years

Income-Contingent Repayment (ICR)

A repayment plan for some Direct Loan borrowers under which your monthly payment amount is based on your income, family size, and state of residency. Payments are adjusted each year based on your income. In the case of a married borrower, who files a joint income tax, the AGI includes the spouse's income. If you do not have a financial hardship, but have low income, this plan could offer you some flexibility.

Comparison
While you pay more for your loan over time, your outstanding balance will be forgiven after 25 years. *Under current IRS regulations, the amount forgiven is considered taxable income.*

Pros: Smaller payments calculated based on Department of Education's formula and borrower's discretionary income
Payment may be as low as $0
Cons: You will pay more for your loan over time than under the 10-year standard plan. Requires an annual recertification process

Eligible Loans
Subsidized and Unsubsidized Direct Loans
Direct Grad PLUS Loans
Direct Consolidation Loans (including Direct Unsubsidized Consolidation loans made on or after July 1, 2006 that repaid any parent PLUS Loans)

Monthly Payment
The amount will be 20% of your discretionary income (includes spouse's income if taxes are filed jointly). Your discretionary income is the difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence.

Time Frame
Up to 25 years

Income-Sensitive Repayment

This plan may be best for borrowers who need lower monthly payments and want their payments to change as income changes. Payments are based on your annual income. Each lender's formula for determining the monthly payment amount under this plan can vary.

Comparison

Pros: Your payments change as your income changes

Cons: You will pay more than you would under the 10-year standard plan

Eligible Loans

Subsidized and Unsubsidized FFEL Loans
FFEL Grad and parent PLUS Loans
FFEL Consolidation Loans

Monthly Payment

Will increase or decrease based on your annual income.

Time Frame

Generally 10-15 years