Federal Student Aid

Income-Based Repayment Plan for the Direct Loan and FFEL Programs

www.studentaid.ed.gov

What is Income-Based Repayment?

Income-Based Repayment (IBR) is a repayment plan for the major types of federal student loans that caps your required monthly payment at an amount intended to be affordable based on your income and family size.

What federal student loans are eligible to be repaid under an IBR plan?

All Stafford, PLUS, and Consolidation Loans made under either the Direct Loan or FFEL Program are eligible for repayment under IBR, EXCEPT loans that are currently in default, parent PLUS Loans (PLUS Loans that were made to parent borrowers), or Consolidation Loans that repaid parent PLUS Loans. The loans can be new or old, and for any type of education (undergraduate, graduate, professional, job training).

Who is eligible for IBR?

You may enter IBR if your federal student loan debt is high relative to your income and family size. While your loan servicer will perform the calculation to determine your eligibility, you can use the U.S. Department of Education's IBR calculator at www.studentaid.ed.gov/ibr to estimate whether you would likely qualify for the IBR plan. The calculator looks at your income, family size, and state of residence to calculate your IBR monthly payment amount. If that amount is lower than the monthly payment you would be required to pay on your eligible loans under a 10-year standard repayment plan, based on the greater of the amount you owed on your loans when they initially entered repayment or the amount you owe at the time you request IBR, then you are eligible to repay your loans under IBR.

If you are married and you and your spouse file a joint federal tax return, and if your spouse also has IBR-eligible loans, your spouse's eligible loan debt is taken into account when determining whether you are eligible for IBR. In this case, the required monthly payment amount under a 10-year standard repayment plan is determined based on the combined amount of your IBR-eligible loans and your spouse's IBR-eligible loans, using the greater of the amount owed when the loans initially entered repayment or the amount owed at the time you or your spouse request IBR. If the combined monthly amount you and your spouse would be required to pay under IBR is lower than the combined monthly amount you and your spouse would pay under a 10-year standard repayment plan, you and your spouse are eligible for IBR.

What are the benefits of IBR?

- PAY AS YOU EARN: Under IBR, your monthly payment amount will be less than the amount you would be required to pay under a 10-year standard repayment plan, and may be less than under other repayment plans. Although lower monthly payments may be of great benefit to a borrower, these lower payments may result in a longer repayment period and additional accrued interest.

- INTEREST PAYMENT BENEFIT: If your monthly IBR payment amount does not cover the interest that accrues on your loans each month, the government will pay your unpaid accrued interest on your Subsidized Stafford Loans (either Direct Loan or FFEL) for up to three consecutive years from the date you began repaying your loans under IBR.

- 25-YEAR CANCELLATION: If you repay under the IBR plan for 25 years and meet certain other requirements, any remaining balance will be canceled.

- 10-YEAR PUBLIC SERVICE LOAN FORGIVENESS: If you work in public service, on-time, full monthly payments you make under IBR (or certain other repayment plans) while employed full-time in a public service job will count toward the 120 monthly payments that are required to receive loan forgiveness through the Public Service Loan Forgiveness Program. Through this program, you may be eligible to have the remaining balance of your Direct Loans forgiven after you have made the 120 qualifying payments as described above. The Public Service Loan Forgiveness Program is available only for Direct Loans. If you have FFEL loans, you may be eligible to consolidate them into the Direct Loan Program to take advantage of the Public Service Loan Forgiveness Program. However, only the on-time, full monthly payments made under IBR or certain other repayment plans while you are a Direct Loan borrower will count toward the required 120 monthly payments. For more information about this program, review the Department's Public Service Loan Forgiveness Program fact sheet at www.studentaid.ed.gov/pubs.

Are there any disadvantages to repaying under IBR?

- YOU MAY PAY MORE INTEREST: The faster you repay your loans, the less interest you pay. Because a reduced monthly payment in IBR generally extends your repayment period, you may pay more total interest over the life of the loan than you would under other repayment plans.

- YOU MUST SUBMIT ANNUAL DOCUMENTATION: To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not provide the documentation, your monthly payment amount will be the amount you would be required to pay under a 10-year standard repayment plan, based on the amount you owed when you began repaying under IBR.

How is the IBR amount determined?

Under IBR, the amount you are required to repay each month is based on your Adjusted Gross Income (AGI) and family size. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. The annual IBR repayment amount is 15 percent of the difference between your AGI and 150 percent of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly IBR repayment amount.

The following chart shows the maximum IBR monthly payment amounts for a sample range of incomes and family sizes using the Poverty Guidelines that were in effect as of January 20, 2011, for the 48 contiguous states and the District of Columbia.

IBR Monthly Payment Amounts

Annual Income	Family Size						
	1	2	3	4	5	6	7
$10,000	$0	$0	$0	$0	$0	$0	$0
$15,000	$0	$0	$0	$0	$0	$0	$0
$20,000	$46	$0	$0	$0	$0	$0	$0
$25,000	$108	$37	$0	$0	$0	$0	$0
$30,000	$171	$99	$28	$0	$0	$0	$0
$35,000	$233	$162	$90	$18	$0	$0	$0
$40,000	$296	$224	$153	$81	$9	$0	$0
$45,000	$358	$287	$215	$143	$72	$0	$0
$50,000	$421	$349	$278	$206	$134	$63	$0
$55,000	$483	$412	$340	$268	$197	$125	$54
$60,000	$546	$474	$403	$331	$259	$188	$116
$65,000	$608	$537	$465	$393	$322	$250	$179
$70,000	$671	$599	$528	$456	$384	$313	$241

After the initial determination of your eligibility for IBR, your payment may be adjusted each year based on changes in your income and family size, but your required monthly payment amount will never be more than what you would be required to pay under a 10-year standard repayment plan, based on your outstanding loan balance on the date you began repaying the loans under IBR (unless you choose to exit the IBR program).

Are there examples of borrowers who are eligible for IBR and borrowers who are not?

Example 1: Based upon the IBR repayment formula, a borrower with a family size of one and an AGI of $30,000 would have an IBR calculated payment amount of $171 per month. If this borrower had total eligible student loan debt of $25,000 when the loans initially entered repayment, and the loan balance had increased to $30,000 when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on the higher of the two amounts. Using an interest rate of 6.8%, the 10-year standard payment amount for $30,000 would be $345. Since the $171 IBR calculated amount is less than the 10-year plan amount of $345, the borrower would be eligible to repay under IBR at a monthly amount of $171. However, if this borrower's total eligible loan debt used to calculate the 10-year standard amount was only $10,000, the 10-year standard payment would be $115 per month, which is less than the IBR amount of $171. Therefore, the borrower would not be eligible for IBR.

Example 2: A borrower with a family size of four and income of $50,000 would have an IBR calculated monthly payment amount of $206. If this borrower had total eligible student loan debt of $20,000 when the loans initially entered repayment, and this amount had not changed when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on $20,000. Using an interest rate of 6.8%, the 10-year standard payment amount for $20,000 would be $230. Since the $206 IBR calculated amount is less than the 10-year plan amount of $230, the borrower would be eligible to repay under IBR at a monthly amount of $206. However, if the borrower's total eligible loan debt used to calculate the 10-year standard amount was only $15,000, the 10-year calculated amount would be $173 per month, which is less than the IBR amount of $206. This borrower would not be eligible for IBR.

For more information on other repayment plans and calculators, go to the Repayment Plans and Calculators page on the Federal Student Aid website at www.studentaid.ed.gov.

How do borrowers apply for IBR?

For more information and to apply for IBR, contact the servicer(s) of your student loan(s).

This fact sheet provides only a summary of the basic requirements of the Income-Based Repayment Plan. For more detailed information, review the Department's IBR Questions and Answers document at www.studentaid.ed.gov/ibr.

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