Start With a Clear Student Loan Inventory

The National Student Loan Data System is an *essential* source of federal student loan records.

1. Visit NSLDS.ed.gov
2. Click the Financial Aid Review button.
3. Enter the following information:
   - Your Social Security number
   - The first 2 letters of your last name
   - Your date of birth
   - Your PIN (get it at pin.ed.gov)

You'll see a summary page and can click the blue numbers in the far left column to find more detail on each loan.

4. Click 

 to download an ugly .txt file chock full of important details.

Your free Annual Credit Report will list private student loans.

Federal Student Loan Repayment Options

The Department of Education provides information and calculators regarding the various repayment options online at studentaid.ed.gov/repay-loans.

Standard Repayment. If you don't choose a repayment plan within 45 days of being notified, your loan servicer will automatically put you into a "standard" repayment plan. Standard repayment (for a loan that isn't consolidated) means that you'll pay equal monthly payments over a ten-year period. Monthly payments will be high, but because you'll pay off your loan quickly, you will pay less interest. If you consolidate your loans, the standard repayment term can be as long as 30 years. A 30-year repayment term will result in lower monthly payments but much higher interest charges over time. If you need low monthly payments, consider the income-driven repayment options before choosing a long-term repayment plan.

Income-Driven Repayment Options. If your debt is relatively high as compared to your income (which is the case for many recent law graduates), the income-driven repayment plans provide significant advantages. Monthly payments are established as a percentage of income. Direct Loans offers three income driven repayment options, but not every option is available for every borrower. You'll need to determine which income-driven options are available to you, and evaluate which of the available options provides the most benefits. The income-driven options share many similar characteristics, but there are significant differences as well.

Consider also that the income-driven options have the disadvantage of requiring annual income verification and other paperwork, and because monthly payments are low, interest charges will be correspondingly high.

"Pay As You Earn" (PAYE) became available on December 21, 2012 for those who (1) got their first student loan on or after October 1, 2007, and (2) got a student loan on or after October 1, 2011 (one loan can count for both requirements). Under PAYE, annual payments are capped at 10 percent of "discretionary income" and any remaining loan balance is forgiven after 20 years of qualifying payments.

Income-Based Repayment (IBR): (1) for those who are "new borrowers" after July 1, 2014, annual payments are capped at 10 percent of "discretionary income" and any remaining loan balance is forgiven after 20 years of qualifying payments; or, (2) for those who borrowed before July 1, 2014, annual payments are capped at 15 percent of “discretionary income” and any remaining loan balance is forgiven after 25 years of qualifying payments.

Income-Contingent Repayment (ICR) is also available and should be considered, although it will not be as beneficial as IBR or PAYE for most borrowers. The formula used to calculate monthly payment amounts under ICR tends to result in higher monthly payments.

More Repayment Options. Under a Graduated Repayment Plan, payments start out low and increase during the repayment period, typically every two years. Graduated repayment can work if you have relatively quick increases in earnings, but compare the benefits of income-driven repayment options before choosing graduated repayment.

Extended repayment plans are also available if you owe more than $30,000, but you will pay more interest because the repayment period is longer. Compare the benefits of the income driven options before choosing extended repayment.

Federal Student Aid

Income-Driven Repayment Plans for Federal Student Loans

What is an income-driven repayment plan?

An income-driven repayment plan is a repayment plan that sets your monthly student loan payment at an amount that is intended to be affordable based on your income and family size. The U.S. Department of Education offers three income-driven repayment plans: Income-Based Repayment Plan (IBR Plan), Pay As You Earn Repayment Plan (Pay As You Earn Plan), and Income-Contingent Repayment Plan (ICR Plan). Most federal student loans are eligible for at least one income-driven repayment plan.

How are monthly payment amounts determined under income-driven repayment plans?

The chart below shows how payment amounts are determined under each income-driven plan. Depending on your income and family size, you may have no monthly payment at all. You can estimate your payments under these plans using the Repayment Estimator at StudentAid.gov/repayment-estimator.

Income-Driven Repayment Plan	**Payment Amount**
IBR Plan for those who are not new borrowers* on or after July 1, 2014	Generally 15 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
IBR Plan for those who are new borrowers* on or after July 1, 2014	Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
Pay As You Earn Plan	Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
ICR Plan	The lesser of the following: 20 percent of your discretionary income or what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income

*For IBR, you are a new borrower if you had no outstanding balance on a William D. Ford Federal Direct Loan (Direct Loan) Program loan or Federal Family Education Loan (FFEL) Program loan when you received a Direct Loan on or after July 1, 2014.

<u>Sample Payment Amounts</u>

The table below provides examples of monthly and total payment amounts under the IBR, Pay As You Earn, and ICR plans for a borrower who is single and in a one-person household; has an annual income of $40,000; and resides in one of the 48 contiguous states. These figures are estimates based on an interest rate of 8.25%, the current maximum interest rate for undergraduate borrowers. Various factors, including your actual interest rate, the amount of your loan debt and income, and whether and how quickly your income increases may cause your payment amount to differ from the amounts shown in these tables. These figures assume that income increases 5 percent per year and use the 2014 Poverty Guidelines (published by the U.S. Department of Health and Human Services) and Income Percentage Factors (from the U.S. Department of Education).

Debt	IBR Plan for those who are not new borrowers on or after July 1, 2014				Pay As You Earn Plan and IBR Plan for new borrowers on or after July 1, 2014				ICR Plan			
	Initial Payment	Final Payment	Total Paid	Months in Repayment	Initial Payment.	Final Payment	Total Paid	Months in Repayment	Initial Payment	Final Payment	Total Paid	Months in Repayment
$20,000	Not Eligible	N/A	N/A	N/A	$188	$245	$31,380	135	$191	$219	$33,738	163
$40,000	$281	$491	$73,192	175	$1880	$491	$85,237	240	$382	$439	$67,475	163
$60,000	$281	$736	$149,964	271	$188	$621	$89,061	240	$472	$658	$106,678	176
$80,000	$281	$981	$192,465	300	$188	$621	$89,061	240	$472	$914	$172,634	227
$100,000	$281	$1,227	$200,062	300	$188	$621	$89,061	240	$472	$1,332	$272,028	288

How long will I be in repayment under each plan?

Income-driven repayment plans have different repayment periods (see the chart below). Under all three plans, any remaining loan balance is forgiven if your federal student loans are not repaid in full at the end of the repayment period. For any income-driven repayment plan, the repayment period includes periods of economic hardship deferment and periods of repayment under certain other repayment plans. Whether you ultimately have a balance left to be forgiven at the end of your repayment period depends on a number of factors, such as how quickly your income rises and how large your income is relative to your debt. Because of these factors, you may fully repay your loan prior to the end of your repayment period.

Repayment Plan	**Repayment Period**
IBR Plan for those who are not new borrowers on or after July 1, 2014	25 years
IBR Plan for new borrowers on or after July 1, 2014	20 years
Pay As You Earn Plan	20 years
ICR Plan	25 years

Note: If you're paying under an income-driven repayment plan and are eligible for Public Service Loan Forgiveness, you may qualify for forgiveness of any remaining Direct Loan balance after you have made 10 years of qualifying payments. Visit StudentAid.gov/publicservice to learn more.

Who is eligible for income-driven repayment?

IBR and Pay As You Earn Plans

Both of these plans have an eligibility requirement you must meet before you can enter the plan. In order for you to qualify, the payment that you would be required to make under the IBR or Pay As You Earn plan (based on your income and family size) must be less than what you would pay under the Standard Repayment Plan with a 10-year repayment period. Generally, you will meet this requirement if your federal student loan debt is higher than your annual discretionary income or represents a significant portion of your annual discretionary income.

There is an additional qualification requirement for the Pay As You Earn Plan. For Pay As You Earn, you also must be a new borrower as of Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011. You are a new borrower if you had no outstanding balance on a Direct Loan or FFEL Program loan when you received a Direct Loan or FFEL Program loan on or after Oct. 1, 2007.

ICR Plan

The ICR Plan does not have an initial income eligibility requirement. Any borrower with eligible federal student loans may make payments under this plan.

Will I always pay the same amount each month under an income-driven repayment plan?

IBR and Pay As You Earn Plans

When you enter the IBR or Pay As You Earn Plan, your monthly payment will be based on your income and family size. You must provide your loan servicer with updated income and family size information each year. Your required monthly payment amount may increase or decrease if your income or family size changes from year to year.

If the payment amount based on your income and family size ever increases to the point that it is higher than the amount you would have to pay under the 10-year Standard Repayment Plan, your payment will no longer be based on your income and family size. Instead, your payment will be the amount you would have had to pay under the 10-year Standard Repayment Plan. This amount will be determined based on the loan amount you owed when you first entered the IBR or Pay As You Earn plan.

ICR Plan

Under the ICR Plan, your payment is always based on your income and family size but will usually be higher than payments under the IBR and Pay As You Earn plans, and in some cases could be higher than the amount you would pay under the 10-year Standard Repayment Plan.

What types of federal student loans are eligible to be repaid under an income-driven repayment plan?

Loan Type	IBR Plan	Pay As You Earn Plan	ICR Plan
Direct Subsidized Loans	Eligible	Eligible	Eligible
Direct Unsubsidized Loans	Eligible	Eligible	Eligible
Direct PLUS Loans made to graduate or professional students	Eligible	Eligible	Eligible
Direct PLUS Loans made to parents	Not eligible	Not eligible	Eligible if consolidated*
Direct Consolidation Loans that did not repay any PLUS loans made to parents	Eligible	Eligible	Eligible
Direct Consolidation Loans that repaid PLUS loans made to parents	Not eligible	Not eligible	Eligible
Subsidized Federal Stafford Loans (from the FFEL program)	Eligible	Eligible if consolidated*	Eligible if consolidated*
Unsubsidized Federal Stafford Loans (from the FFEL program)	Eligible	Eligible if consolidated*	Eligible if consolidated*
FFEL PLUS Loans made to graduate or professional students	Eligible	Eligible if consolidated*	Eligible if consolidated*
FFEL PLUS Loans made to parents	Not eligible	Not eligible	Eligible if consolidated*
FFEL Consolidation Loans that did not repay any PLUS loans made to parents	Eligible	Eligible if consolidated*	Eligible if consolidated*
FFEL Consolidation Loans that repaid PLUS loans made to parents	Not eligible	Not eligible	Eligible if consolidated*
Federal Perkins Loans	Eligible if consolidated*	Eligible if consolidated*	Eligible if consolidated*

*If a loan type is listed as “Eligible if consolidated,” this means that if you consolidate that loan type into a Direct Consolidation Loan, you can then repay the consolidation loan under the income-driven plan.

Note that only federal student loans can be repaid under the income-driven plans. Private student loans are not eligible.

What are the pros and cons of repaying my loan under an income-driven plan?

Income-driven repayment plans may lower your federal student loan payments. However, whenever you make lower payments or extend your repayment period, you will likely pay more in interest over time—sometimes significantly more. In addition, under current Internal Revenue Service (IRS) rules, you may have to pay income tax on any amount that is forgiven if you still have a remaining balance at the end of your repayment period for an income-driven repayment plan.

How do I apply for an income-driven plan?

Before you apply for an income-driven repayment plan, contact your loan servicer if you have any questions. Your loan servicer will help you decide whether one of these plans is right for you.

To apply, you must submit an application called the Income-Driven Repayment Plan Request. You can submit the application online at StudentLoans.gov or on a paper form, which you can obtain from your loan servicer. Along with the application, you will be asked to provide income information. You can document your income using your adjusted gross income (AGI) if (1) you have filed a federal income tax return in the past two years and (2) the income on your most recent federal income tax return is not significantly different from your current income. If you do not meet these conditions for documenting your income using AGI, you must provide alternative documentation of income.

You can provide your AGI in one of the following ways:

- Apply using the online Income-Driven Repayment Plan Request and use the IRS Data Retrieval Tool in the application to transfer income information from your most recent federal income tax return.
- Use the paper Income-Driven Repayment Plan Request and provide a paper copy of your most recently filed federal income tax return or IRS tax return transcript.

You can provide alternative documentation of income in one of the following ways:

- If you currently receive taxable income, you must submit a paper Income-Driven Repayment Plan Request with alternative documentation of your income, such as a pay stub.
- If you do not currently have income or if you receive only untaxed income, you can indicate as much on the online or paper application. You are not required to supply further documentation of your income.

This information was compiled in the summer of 2014. For updates or additional information on income-driven repayment plans, visit StudentAid.gov/idr.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
PROUD SPONSOR of the AMERICAN MIND™

July 2014

HEATHER JARVIS
Student Loan Expert

Five Easy Steps for Public Service Loan Forgiveness

1.

Make the right kind of payment

- Pay As You Earn
- Income-Based Repayment or
- Income-Contingent Repayment

2.

On the right kind of loan

- Federal Direct loans ONLY

3.

While you are in the right kind of job

- Full-time paid work for the government or a 501(c)(3), plus certain other positions

4.

Repeat 120 times

- Once a month for ten years (but does not need to be consecutive)

5.

Prove it

- Keep good records! You'll need to submit income documentation, family size verifications, and employment certification forms annually to the Department of Education. There will also be an application for forgiveness (to be developed)

updated September 2014

HEATHER JARVIS
Student Loan Expert

The Right Kind of Job for Public Service Loan Forgiveness

Full-time paid work

- The number of hours the employer considers full-time, or 30 hours per week on average, whichever is higher

For the government

- State, local, federal, tribal, but not government contractors

For a 501(c)(3) nonprofit

- Non profits that aren't (c)(3)s will only qualify in narrow circumstances

Plus these special positions

- Full-time, paid AmeriCorps or Peace Corps positions

And a few more positions

- Specific listed positions for a "public service organization," but not a labor union, a partisan political organization, or an organization engaged in religious activities or organized for profit

Use the Employment Certification Process Annually

- Download the Public Service Loan Forgiveness Employment Certification Package (available at askheatherjarvis.com):
  - Dear Borrower Letter
  - Instructions for Completing Employment Certification for Public Service Loan Forgiveness
  - Employment Certification for Public Service Loan Forgiveness

updated September 2014

HEATHER JARVIS
Student Loan Expert

The Right Kind of Loans for Public Service Loan Forgiveness

If you are borrowing federal student loans right now	• You are borrowing directly from the federal government through the Federal Direct loan program
If you started borrowing student loans before July 2010	• You might have borrowed federal student loans from a bank or private lender through the FFEL program (Federal Family Education Loans)
If you aren't absolutely sure you have ALL Federal Direct loans	• Get sure. Only Federal Direct Loans are eligible for Public Service Loan Forgiveness. Visit nlsds.ed.gov
If you discovered that you have FFEL loans	• You must consolidate or reconsolidate FFEL loans into Federal Direct Loans studentloans.gov
If you borrowed commercial loans from a state or private lenders	• Cut it out! Commercial loans are never eligible for Public Service Loan Forgiveness

updated September 2014

HEATHER JARVIS
Student Loan Expert

The Right Kind of Payments for Public Service Loan Forgiveness

Qualifying payments include payments made under a repayment plan driven by income	• Choose Pay As You Earn, Income-Based Repayment or Income-Contingent Repayment
It's O.K. for it to take longer than 10 years to make 120 qualifying payments	• Qualifying payments do not need to be consecutive. You can take time off from public service (for example, to stay home with children)
But don't be late!	• Because late payments don't count toward forgiveness

updated September 2014

National Student Loan Data System to inventory federal loans.

PIN Retrieval Site for US Department of Education websites.

AnnualCreditReport.com to inventory private student loans.

US Department of Education:

- Repayment Estimator to compare repayment options.
- http://www.studentaid.ed.gov/: Comprehensive federal student aid information and loan repayment calculators from the U.S. Department of Education.
- http://www.studentloans.gov: Borrower site (requires login with federal student aid PIN) includes access to account information and repayment estimator populated with user's federal student loan record.

US Department of Education Student Loan Ombudsman for resolving disputes.

askheatherjarvis.com includes an online forum for borrowers to discuss student loan questions

IBRinfo.org provides clear information about Income-Based Repayment and Public Service Loan Forgiveness.

Project on Student Debt gathers state-by-state data, research, and policy analysis.

Student Loan Borrower Assistance.org from the National Consumer Law Center provides free information about repayment options, avoiding and getting out of default, and dealing with collections agencies.

Student loan decision tree from the Consumer Financial Protection Bureau.