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, which repaid a Parent PLUS Loan)

What are the key points?

Payments are based on family size, adjusted gross income (AGI), 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?

- You must apply and submit required documentation
- Any borrower with an eligible loan type (listed above) can qualify

What should I consider before choosing this plan?

- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Repayment 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 recertified annually
- Any subsidy period used on a different income-driven repayment plan will not count toward the subsidy period of the new IDR when transferring to a different plan that offers subsidy
- If you do not recertify, your monthly payment amount will change to what would have been required under a 10-year Standard Repayment Plan for the balance at the
- time you entered ICR

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% (or 10% if you are a new borrower) of your discretionary income
- Your payments will change as your income and family size change
- Interest will be subsidized for the first three years of the repayment plan for any Subsidized Stafford Loans

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 Repayment Plan
- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Repayment 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
- You can request to change to a different repayment plan at any time. However, you will need to make a payment upon exiting either for the amount you would pay under the Standard
- Repayment Plan (taking into account the remaining maximum repayment period), or on a Reduced Payment Forbearance, before you can be placed into a different repayment plan
- Any forbearance or deferment applied while in the IBR Plan will follow normal capitalizing guidelines
- Your partial financial hardship status must be renewed annually through your loan servicer
- Any subsidy period used on a different income-driven repayment plan will count toward the subsidy period of the new IDR when transferring to a different plan that offers subsidy
- If you do not recertify annually, your monthly payment amount will change to what would have been required under a 10-year
- Standard Repayment Plan for the balance at the time you entered IBR

Pay As You Earn

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
- Interest will be subsidized for the first three years of the repayment plan for any Subsidized Stafford Loans
- 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

How do I qualify?

- You must have received a new Direct Loan disbursement 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 Repayment Plan
- Any forbearance or deferment applied while in the Pay As You
- Earn Repayment Plan will follow normal capitalizing guidelines
- You'll typically pay more in interest on your loan over time than you would have under the 10-year Standard Repayment 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
- Any subsidy period used on a different income-driven repayment plan will count toward the subsidy period of the new plan when transferring to a different plan that offers subsidy
- If you do not recertify annually, your monthly payment amount will change to what would have been required under a 10-year
- Standard Repayment Plan for the balance at the time you entered Pay As You Earn

Single Borrower With a Family Size of One

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		
	Payment	Total Paid	# of Months	Payment	Total Paid	# of Months	Payment	Total Paid	# of Months
$20,000	N/A	N/A	N/A	Initial: $186 Final: $222	$27,224	127	Initial: $168 Final: $195	$29,556	162
$40,000	Initial: $279 Final: $444	$59,028	152	Initial: $186 Final: $444	$59,028	218	Initial: $336 Final: $390	$59,113	162
$60,000	Initial: $279 Final: $666	$107,665	218	Initial: $186 Final: $613	$87,979	240	Initial: $471 Final: $586	$89,303	164
$80,000	Initial: $279 Final: $888	$171,153	285	Initial: $186 Final: $613	$87,979	240	Initial: $471 Final: $781	$130,325	192
$100,000	Initial: $279 Final: $1,110	$195,840	300	Initial: $186 Final: $613	$87,979	240	Initial: $471 Final: $985	$184,823	236