



IBR and Other Repayment Plans

Getting Started

- Personal calculator
- Pen and paper for taking notes

Quiz 1

What are the five repayment plans?

- a) Graduated, Standard, Adjustable Rate, Direct, Extended
- b) Standard, Graduated, Income Sensitive, Extended, Income Based
- c) Extended, Negative Amortization, Income Contingent, Consolidation, Standard
- d) Income Sensitive, Disability, Extended, Bi-Monthly, Graduated

Repayment plans

- Standard
- Graduated
- Income-sensitive/contingent
- Extended
- Income-based repayment

How to Calculate a Payment

Payment Plan	Monthly Payment at 6.8%		Loan Amount		Calculated Monthly Payment
Standard	\$0.01151	x	\$10,000	=	\$115
Graduated	\$0.00561 rising to \$0.01353	x	\$10,000	=	\$56
		x	\$10,000	=	\$135
Income Sensitive	\$0.00561	x	\$10,000	=	\$56
Extended	\$0.00694	x	\$30,000	=	\$208

Write these down, you will need them to calculate payments throughout the presentation

Standard

- Fixed monthly payment
- \$50 minimum
- 10-year term

Loan Amount	Monthly Payment	Total Paid* (Loan + Interest)
\$10,000	\$115	\$13,810
\$50,000	\$575	\$69,048

*A Unsubsidized Stafford loan repaid at 6.8 percent interest, assuming the standard repayment plan of 10 years, or 120 payments

Quiz 2

What is the repayment amount on a \$15,000 student loan?

- a) \$195.95
- b) \$115.55
- c) \$172.65

Answer: $15,000 \times \$0.01151 = \173

Quiz 3

What is the repayment amount on a \$23,400 student loan?

- a) \$264.73
- b) \$269.33
- c) \$234.00

Answer: $23,400 \times \$0.01151 = \269

Graduated

- Payment
 - ◆ Gradually increases over time
 - ◆ Must cover interest due
- 10-year term

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Paid* (Loan + Interest)
\$10,000	\$57	\$135	\$14,353
\$50,000	\$283	\$677	\$71,765

*A Unsubsidized Stafford loan repaid at 6.8 percent interest, assuming the graduated repayment plan of 10 years, or 120 payments

Income-sensitive/contingent

- Payment
 - ◆ Based on borrower's monthly gross income
 - ◆ Must cover interest due
 - ◆ Term varies

Loan Amount	Gross Monthly Income	First 5 Years: Interest Only	Remaining 10 Years	Total Paid* (Loan + Interest)
\$10,000	\$1,500	\$57	\$115	\$17,210
\$50,000	\$4,000	\$283	\$575	\$86,048

*A subsidized Stafford loan repaid at 6.8 percent interest, assuming you request the monthly payment to be based on 4 percent of your gross monthly income

Extended

- Loans greater than \$30,000
- Payment may be fixed or may increase over time
- Up to 25-year term

Loan Amount	Monthly Payment	Years in Repayment	Total Paid* (Loan + Interest)
\$50,000	\$347	25	\$104,111

*A subsidized Stafford loan repaid at 6.8 percent interest, assuming an extended repayment plan of 25 years, or 300 fixed monthly payments

Income-based repayment (IBR)

- Available 7/1/09 for:
 - ◆ FFEL/Direct Stafford
 - ◆ Grad PLUS
 - ◆ Federal Consolidation Loans (FCL)
 - ◆ Borrower must be experiencing “partial financial hardship”

IBR - “partial financial hardship”

- Student loan payment exceeds 15% of household Adjusted Gross Income (AGI) above 150% of the poverty line for his or her family size
- *IBR monthly payment is 1/12 of 15% of the AGI above 150% of the poverty line*

IBR - example

- Borrower is married with one dependent
- Adjusted gross income (AGI) is \$45,000
- Current student loan debt is \$50,000
- Does borrower qualify?

Hint: Standard Repayment plan monthly payment for 6.8% is \$0.01151 times loan amount

Income Based Repayment (IBR)				
Step 1	Determine Total Eligible Student Loan Debt and Monthly Payment		Total Eligible Debt	Total Monthly Payment Using Standard Plan
		FFELP/Direct Federal Stafford Loans	\$ 50,000	\$ 575
		Grad Plus Loans +	\$ 0	\$
		Federal Consolidation Loans (not from Parent PLUS loans) =	\$ 0	\$
		TOTAL ELIGIBLE STUDENT LOAN DEBT and PAYMENT =	50,000	575
		Total Debt	Monthly payment	

Yearly HHS Poverty Guidelines for 2009 (& 150%)

Household Size	Yearly HHS Poverty Guidelines for 2009 (& 150%)		
	48 Contiguous States & D.C.	Alaska	Hawaii
1	\$10,830 (150% = \$16,245)	\$13,530 (150% = \$20,295)	\$12,460 (150% = \$18,690)
2	\$14,570 (150% = \$21,855)	\$18,210 (150% = \$27,315)	\$16,760 (150% = \$25,140)
3	\$18,310 (150% = \$27,456)	\$22,890 (150% = \$34,335)	\$21,060 (150% = \$31,590)
4	\$22,050 (150% = \$33,075)	\$27,570 (150% = \$41,355)	\$25,360 (150% = \$38,040)
5	\$25,790 (150% = \$38,685)	\$32,250 (150% = \$48,375)	\$29,660 (150% = \$44,490)
6	\$29,530 (150% = \$44,295)	\$36,930 (150% = \$55,395)	\$33,960 (150% = \$50,940)
7	\$33,270 (150% = \$49,905)	\$41,610 (150% = \$62,415)	\$38,260 (150% = \$57,360)
8	\$37,010 (150% = \$55,515)	\$46,290 (150% = \$69,435)	\$42,560 (150% = \$63,840)
For each extra person add	\$3,740 (150% = \$5,610)	\$4,680 (150% = \$7,020)	\$4,300 (150% = \$6,450)

	Gross income (AGI)	TOTAL HOUSEHOLD ADJUSTED GROSS INCOME (AGI) =	\$ 45,000
Step 3	Determine Poverty Level for Household Size and State	Household Size	3
		Poverty Level as shown in chart below	\$ 18,310
Step 4	Determine Borrower Discretionary Income	Total AGI (from step 2)	45,000
		150% of Poverty Level (See chart below for poverty level x 1.5)	27,456
		Discretionary income (Total AGI minus line above)	17,544
Step 5	Determine IBR Monthly Payment	Discretionary Income (From step 4)	17,544
		Multiply line above by 0.15	2,632
		Determine monthly IBR payment (Line above ÷ 12)	219.30
Step 6	Does Borrower Qualify for IBR?		Yes
			No

IBR – Other provisions

- Allows for negative amortization
 - ◆ 10% interest capitalization cap
- Unpaid interest on subsidized loans is subsidized for three years
- Unpaid interest and principal can be capitalized when IBR is terminated
- Remaining loan forgiven after 25 years
 - ◆ Tax consequences



EdFund Guaranteeing dreams™

http://www.edfund.org/EdtestIBRCalculator/edtest_calculator.html

Income-Based Repayment Calculator

Disclaimer: All calculations are estimates only. Check with your lender or loan servicer to determine your eligibility for the IBR payment plan.

To determine if you qualify for the IBR plan, fill in the open fields listed below. At the bottom of the page, a Yes or No answer will be provided.

Step 1	Determine total eligible student loan debt and monthly payment	Eligible student loan debt	Monthly payment on standard plan at 6.8% interest
	FFEL/Direct Federal Stafford loans	\$ <input type="text"/>	
	Grad PLUS loans	\$ <input type="text"/>	
	Federal Consolidation loans (not from parent PLUS loans)	\$ <input type="text"/>	
	Totals	Total eligible debt: \$	Total monthly payment: \$

Step 2	Determine monthly Adjusted Gross Income (AGI, from your most recent federal tax return)	Select State of Residence
	Your AGI (based on your federal tax return)	\$ <input type="text"/> 48 Contiguous States & D.C. ▼
	Spouse AGI (if married and filed joint federal tax return)	\$ <input type="text"/>
	Any additional household AGI	\$ <input type="text"/>
	Total Household AGI: \$	

Step 3	Enter household size
	Number of people in the household <input type="text"/>

Quiz 4

Borrower's income is \$47,000

Federal student loan debt is \$30,000

Married with 3 dependents (150% poverty level=\$38,685)

Does borrower qualify for IBR:

a) Yes

b) No

Yes. IBR monthly payment would be \$103.90 . Standard repayment would be \$345.30

Quiz 5

Borrower's income is \$37,000

Federal student loan debt is \$20,000

Single with no dependents (150% poverty level=\$16,245)

Does borrower qualify for IBR:

a) Yes

b) No

No. IBR monthly payment would be \$259.43 . Standard repayment would be \$230.20

Quiz 6

What percentage range of a borrower's gross monthly income does the ED recommend a student loan payment fall?

- a) 2% - 5%
- b) 20% - 25%
- c) 8% - 12%
- d) 15% - 20%

Answer: 8% - 12%

Review

Payment Plan	Monthly Payment per \$1,000 Borrowed at 6.8%
Standard	\$0.01151
Graduated	\$0.00561 rising to \$0.01353
Income Sensitive	\$0.00561
Extended	\$0.00694 Available to borrowers with \$30,000 or more in student loans.
Income Based	“Partial financial hardship,” monthly payment based on number in the household, poverty line and percentage of total income.

Quiz 7

Borrower's income is \$1,667 per month

Federal student loan debt is \$17,500

Single with no dependents (150% poverty level=\$16,245)

Recommended repayment plan:

	$17,500 \times 0.00694 =$	\$121 but not eligible
a) Extended	$17,500 \times 0.00567 =$	\$99
b) Graduated	$17,500 \times 0.01353 =$	\$237
c) Income Sensitive	$17,500 \times 0.00567 =$	\$99
d) Standard	$17,500 \times 0.01151 =$	\$201
e) Income Based	Using the IBR form =	\$47
	Using the IBR calculator =	\$47

Answer: Income Based

Quiz 8

Which repayment plan(s) have 10 year repayment terms?

- a) Standard and Income Sensitive
- b) Income Based and Graduated
- c) Extended and Standard
- d) Graduated and Standard

Answer: Graduated and Standard

Quiz 9

Borrower's income is \$8,333 per month

Federal student loan debt is \$105,000

Single with no dependents (150% poverty level=\$16,245)

Recommended repayment plan:

a) Extended	$105,000 \times 0.00694 =$	\$729
b) Graduated	$105,000 \times 0.00567 =$	\$595
c) Income Sensitive	$105,000 \times 0.01353 =$	\$1,421
d) Standard	$105,000 \times 0.00567 =$	\$595
e) Income Based	$105,000 \times 0.01151 =$	\$1,209
	Using the IBR form =	\$907
	Using the IBR calculator =	\$1,047

Answer: Extended

Quiz 10

How often can a borrower switch repayment plans?

- a) Once a month
- b) Once during the repayment period
- c) Never
- d) Once a year

Answer: Once a year

Questions?

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