

Think of your federal student loans as your “**EDUCATION MORTGAGE.**”

- It is the financing you’ve needed to make this important investment in yourself.
- The good news is that with this “**mortgage**” your monthly payments do NOT have to be based on how much you owe. Repayment is more flexible in that your payments can be based on your income rather than on the amount you owe. As such, repaying this mortgage need not prevent you from making other financial decisions/choices such as investing for retirement or saving to buy a new home if you’re **STRATEGIC** when planning for repayment of this unique form of debt.

## Federal Student Loans (Direct/FFEL) are a very flexible and safe form of credit.

- You should never have to miss a payment or default on FFEL/Direct Loan(s).
  - **Payment relief options** exist (including postponing repayment temporarily using a *deferment* or *forbearance* or reducing your monthly payment) that provide financial “**safety nets**” if you are experiencing financial hardship.
  - *Simply contact your loan servicer **BEFORE** you miss the scheduled payment and explain why you need help.*
- Payments can be less than **10%** of your household’s monthly Adjusted Gross Income (AGI) if you choose the repayment plan that would give you the lowest possible monthly payment.
  - **Flexible** payment options are available for FFEL/Direct student loans including *income-driven repayment plans*:
    - **Revised Pay As You Earn (REPAYE)** – *the newest 10% IDR plan*
    - **Pay As You Earn (PAYE)**
    - **Income-Based Repayment (IBR)** – *both the new 10% option and the original 15% option*
    - **Income-Contingent Repayment (ICR)** – *the “original” IDR plan*
  - These income-driven plans base your monthly loan payment on a percentage of your household’s adjusted gross income (AGI), NOT the amount of your student loan debt. No other form of credit offers this flexibility.
  - As such, these income-driven options can limit the possible monthly debt-to-income ratio impacts that could reduce your ability to borrow money for other purposes such as buying a home.
- Federal student loan debt could be gone within 25 years or less even if it is not fully repaid (*forgiven amount may be taxable*).
  - Portion of debt could be forgiven if not fully repaid if using an income-driven repayment plan.
  - Portion of qualifying debt could be forgiven in 10 years if working in a qualifying public service position (PSLF).
- There are **NO penalties for prepayments** on federal student loans.
  - You have the right to make payments before they are required or to pay extra amounts without any penalty if your goal is to reduce the total interest paid and/or to get the debt paid off more quickly. *But always evaluate what you are giving up financially to do so—e.g., the extra money you pay toward your loans could be invested and be earning interest that is compounding.*

**Remember, no other form of credit offers this much choice, flexibility or financial safety during repayment.**

- Consider how you can **LEVERAGE** the flexibility and “**safety nets**” built into your federal student loans in order to successfully repay your educational debt without sacrificing your career aspirations or postponing the achievement of your other goals.
- Note that it may not be in your best interest financially to pay off your federal student loans as fast as possible if you have “better” alternative uses for your extra funds from an “**OPPORTUNITY COST**” perspective. Saving and/or investing those “extra funds” for the future could be a better use of that money due to the unique nature of federal student loans (FFEL/Direct).
- So be strategic! Think about your **FINANCIAL GOALS** and estimate your monthly **BUDGET** so that you can determine how much you can afford to pay on your loans each month. Then use the following four steps to help develop your loan repayment plan.
- **SAVE TIME AND MONEY** – Sign up for “**Auto-Pay**” – The U.S. Department of Education currently offers to reduce the interest rate by **0.25%** on Direct Loans and any other federal student loans it owns if you **sign up with your loan servicer** to have your monthly loan payments on these loans automatically deducted from a checking or savings account.

*Note that all information provided here is advisory and subject to change in federal law/federal regulation.*

## STEP 1. Review your loan history

You should know the following information about each student loan you have borrowed as you plan for repayment:

- Type of student loan
- Interest rate
- Amount owed (*principal loan balance + accrued interest*)
  - Note that interest generally accrues as “**SIMPLE**” interest during the in-school period and during repayment—it is not compounding. In other words, interest is not accruing on the accrued interest while in school. It will capitalize (be added to the principal balance) once when your loans enter/re-enter repayment and may capitalize again under certain conditions—but it does capitalize at regular timed intervals (i.e., it is not “compounding”).
- Loan servicer and how to contact them
- Date loan will enter or re-enter repayment and current status of the loan
- Available repayment options (if any) and how much you would have to pay each month under each available plan—**be strategic when picking your plan; choose the payment plan that offers the LOWEST required payment given the amount of your debt and your household’s income—this will maximize your ability to control how you spend your money each month—you can always pay extra towards your loans if you want to do so.**

*NOTE: Interest typically accrues as COMPOUNDING interest on investments.*

You can obtain this information about your **FEDERAL** student loans from the **National Student Loan Data System** at: [NSLDS.ed.gov](https://nslds.ed.gov). Check your credit report at: [Annual Credit Report.com](https://annualcreditreport.com) for information about any **PRIVATE** student loans you may have borrowed.

## STEP 2: Determine when repayment begins

(More information is available at: [StudentAid.gov](https://studentaid.gov) and at [StudentLoans.gov](https://studentloans.gov).)

Expected graduation/separation date: \_\_\_\_\_

LOAN TYPE	START OF REPAYMENT	COMMENTS
Direct Student/Stafford <i>(Subsidized and Unsubsidized)</i>		<ul style="list-style-type: none"> <li>• <b>AUTOMATIC 6-MONTH GRACE PERIOD</b> before loan repayment begins.</li> </ul>
Grad PLUS Loans <i>(1<sup>st</sup> disbursed on/after 7/1/2008)</i>		<ul style="list-style-type: none"> <li>• <b>NO GRACE PERIOD.</b> <ul style="list-style-type: none"> <li>○ Loan enters repayment when it is fully disbursed.</li> <li>○ It is in an <b>automatic “in-school deferment”</b> while you are in school.</li> <li>○ Loan will be placed in an <b>automatic “6-month post-enrollment DEFERMENT”</b> once you are no longer enrolled at least half time to align active repayment of the loan with that of the Direct/Stafford Loans you borrowed during the same period of enrollment.</li> </ul> </li> </ul>
Perkins		<ul style="list-style-type: none"> <li>• <b>AUTOMATIC 9-MONTH GRACE PERIOD</b> before loan repayment begins.                             <ul style="list-style-type: none"> <li>○ Also has 6-month post-deferment grace period (contact servicer for details).</li> </ul> </li> </ul>
HPSL/LDS/NSL/PCL		<ul style="list-style-type: none"> <li>• <b>AUTOMATIC GRACE PERIOD OF _____ months.</b></li> </ul>
Consolidation		<ul style="list-style-type: none"> <li>• <b>NO GRACE PERIOD.</b> <ul style="list-style-type: none"> <li>○ Loan enters repayment as soon as it is fully disbursed. It is in an automatic in-school deferment while you are in school. Repayment resumes on the loan when you graduate and in-school deferment ends. <b>See below for payment relief options.</b></li> </ul> </li> </ul>
Other federal		
Institutional/Private		

### What if you cannot afford to make your minimum monthly loan payment?

- You should not have to miss a payment on your federal student loans. Payment relief options likely are available if you cannot afford to pay what is due.
- **You must TAKE ACTION immediately**—contact your loan servicer before you miss the payment and explain why you cannot afford to make that payment. This will allow them to evaluate what option will best provide the needed payment relief.
- If you follow all required steps in obtaining payment relief it should not negatively impact your credit history nor should it prevent you from getting payment relief at some future point in time, if needed.
- Contact your loan servicer(s) for more information.

#### PAYMENT RELIEF OPTIONS

Allows you to:	<b>Temporarily postpone repayment or reduces amount you must pay each month once your loan is in repayment, if eligible.</b> <ul style="list-style-type: none"> <li>• <b>DEFERMENT</b> temporarily postpones monthly payments, if eligible.</li> <li>• <b>FORBEARANCE</b> temporarily postpones or reduces payments when experiencing <i>financial hardship</i> if you don't qualify for a deferment. No interest subsidy.</li> <li>• <b>Choose or switch to a different repayment plan</b>—For example REVISED PAY AS YOU EARN (REPAYE) may provide the payment relief you need without using deferment or forbearance if your household adjusted gross income (AGI) is low.</li> </ul>
To apply:	<b>Contact loan servicer BEFORE you miss a payment and explain WHY you need help to determine what option is best for you.</b> <ul style="list-style-type: none"> <li>• Complete required application materials.</li> <li>• Continue making required monthly loan payments until notified otherwise by loan servicer.</li> </ul>
When to apply:	<b>As soon as you realize you need payment relief (and before you miss a scheduled payment).</b>

#### ACTION PLAN:

## STEP 3: Estimate monthly payments and select your repayment plan

(More information is available at: [StudentLoans.gov](http://StudentLoans.gov).)

Estimate your monthly payments on your federal student loans using the “**Repayment Estimator**” at: [StudentLoans.gov](http://StudentLoans.gov).

- Loan servicer(s) should contact you at least 45-60 days before your loan(s) are scheduled to enter/re-enter repayment with information about the repayment plans. You then must advise them what the plan you want to use. If you do not do so, loans will be on the “**Standard**” payment plan.
- You have the right to change from one plan to another at least once every 12 months, if needed, by contacting your loan servicer(s).
- You have the right to make prepayments without penalty. Contact your loan servicer(s) for more information.

Following charts describe the current payment plans available for repaying **Subsidized (Stafford), Unsubsidized (Stafford), Grad Plus, and Consolidation Loans**. Monthly payments on **Perkins, HPSSL, LDS and NSL** loans are fixed and are equal to the greater of: (1) amortizing the total loan amount owed over 120 months, or (2) minimum monthly payment requirement for that program. Contact the servicer of your loans(s) for more details about payment plans/options.

ORIGINAL Payment Plans <small>Payments based on DEBT</small>	Payment Structure	Maximum Term	Plan Description
<b>Standard</b>	Fixed	120 months* (10 years) <small>*Up to 30 years for Consolidation Loans</small>	<ul style="list-style-type: none"> <li>• <b>Default plan</b> – plan that will be used until you opt into a different plan.</li> <li>• Fixed payments based on debt amortized over 120 months.</li> <li>• Negative amortization not permitted.</li> <li>• Payments qualify as eligible payments for Public Service Loan Forgiveness (PSLF).</li> </ul>
<b>Graduated</b>	Graduated	120 months* (10 years) <small>*Up to 30 years for Consolidation Loans</small>	<ul style="list-style-type: none"> <li>• Payments are adjusted incrementally based on debt amortized over 120 months.</li> <li>• Negative amortization not permitted.</li> <li>• Payments start out low, but ultimately are higher than under the Standard Plan.</li> </ul>
<b>Extended – Fixed</b>	Fixed	300 months (25 years)	<ul style="list-style-type: none"> <li>• Fixed payments based on debt amortized over 300 months.</li> <li>• Negative amortization not permitted.</li> <li>• Payments tend to be about 35-40% less than Standard 10-year payment plan.</li> </ul>
<b>Extended – Graduated</b>	Graduated	300 months (25 years)	<ul style="list-style-type: none"> <li>• Payments are adjusted incrementally based on debt amortized over 300 months.</li> <li>• Negative amortization not permitted.</li> <li>• <b>Interest only payments initially but</b> become higher than Extended Fixed Plan.</li> </ul>

INCOME-DRIVEN Payment Plans <small>Payments based on INCOME</small>	Eligible Loans	% of Disc. Income	New Borrower Requirement	PFH Requirement	Forgiveness <small>(taxable benefit)</small>	Subsidy
<b>REPAYE</b> <small>(Revised Pay As You Earn)</small>	DIRECT only	10%	NO	NO	20/25 years <small>(UG only/UG&amp;Grad)</small>	All loans <small>(No time limit)</small>
<b>PAYE</b> <small>(Pay As You Earn)</small>	DIRECT only	10%	YES <small>(as of 10/1/2007)</small>	YES <small>(payments capped)</small>	20 years	Sub loans only <small>(up to 3 yrs)</small>
<b>IBR for New Borrowers</b>	DIRECT and FFEL	10%	YES <small>(as of 7/1/2014)</small>	YES <small>(payments capped)</small>	20 years	Sub loans only <small>(up to 3 yrs)</small>
<b>IBR</b> <small>(Income-Based Repayment)</small>	DIRECT and FFEL	15%	NO	YES <small>(payments capped)</small>	25 years	Sub loans only <small>(up to 3 yrs)</small>
<b>ICR</b> <small>(Income Contingent Repayment)</small>	DIRECT only	20%*	NO	NO	25 years	NONE

- Payments will be adjusted up or down every 12 months based on how income/family size changes -- To apply for these plans it is recommended that you complete the “**Income-Driven Repayment Plan Request**” at [StudentLoans.gov](http://StudentLoans.gov) approximately **60 days** prior to when the loan(s) enter or re-enter repayment. You must reapply/re-certify for the income-driven repayment (IDR) plan you want to use every 12 months (*servicer should request you do so 90 days before the end of your current repayment cycle*).
- Payments made using any of the Income-Driven Repayment (IDR) plans qualify as eligible payments for “**Public Service Loan Forgiveness**” (PSLF).
- Monthly payments can be less than accrued interest each month (“**negative amortization**” permitted).
- Non-DIRECT federal loans (i.e., FFEL, Perkins, HPSSL, LDS, NSL) must be consolidated (refinanced) into a Federal Direct Consolidation Loan to make those loans eligible for possible repayment using the DIRECT-only IDR plans (i.e., REPAYE, PAYE, ICR).
- Definitions:
  - **IDR** = Income-Driven Repayment (*payments are based on percentage of household’s annual discretionary income rather than amount of debt owed*)
  - **Disc. Income** = “Discretionary Income” -- that portion of household’s **Adjusted Gross Income (AGI)** that exceeds **150% of the federal poverty guideline** for your **family size** and **state of residence** – *household AGI includes spouse’s income if married and file joint tax return in all plans (excludes spouse’s income from household AGI in PAYE and IBR plans if married, but file taxes separately)* (\* Payment calculation slightly different for ICR)
  - **New Borrower** = cannot have an outstanding balance on a DIRECT or FFEL loan when first new DIRECT/FFEL loan is borrowed on/after designated date
  - **PFH** = “Partial Financial Hardship” – you must be experiencing a Partial Financial Hardship to enter this plan (PFH exists when payment based on income is less than the Standard 10-year fixed payment amount) --*payments are capped at Standard 10-year payment amount when PFH no longer exists*
  - **Forgiveness** = Remaining balance (*principal and accrued interest*) is forgiven/cancelled automatically after specified number of years in an income-driven repayment plan – amount forgiven/cancelled is taxable under current IRS code
  - **Subsidy** = Portion of negative amortization amount is subsidized (*negative amortization occurs whenever the scheduled monthly loan payment is less than the amount of interest that accrued that month on that loan*)

**ACTION PLAN:** Be strategic -- choose the plan that provides **LOWEST** monthly payment based on amount of your debt and your household’s income.

**NOTE:** When applying/recertifying to use an IDR plan, you can answer **NO** to the “**LOOPHOLE QUESTION**” if your **CURRENT** income is  $\geq$  prior year’s AGI.

## STEP 4: Evaluate if you need to consolidate any of your federal loans

(More information is available at: [StudentLoans.gov](http://StudentLoans.gov).)

- Consolidation is the **REFINANCING** of one or more existing federal student loans (not the “COMBINING” of loans).
- You can consolidate (refinance) your existing federal loans with a different federal loan (**Federal Direct Consolidation Loan**) or a private loan. In either case, you are borrowing a new loan to pay off one or more of your existing federal student loans because you feel it would somehow benefit you.
- All federal student loans except the Primary Care Loan (PCL) are eligible to be refinanced through the Federal Direct Consolidation Program. *Private loans currently cannot be consolidated in this program.*
- **Consolidation, however, does not get you a better interest rate; it actually increases the cost of the debt by a small amount.**
  - Interest rate on the new loan is fixed – it equals the **weighted average** of interest rates of loans being consolidated then that weighted average is **rounded up to nearest 1/8<sup>th</sup> percent**.
    - The “rounding up of the weighted average” calculation will increase the interest expense on the debt by a small amount; you also may end up paying more total interest over the life of repayment if you take longer to repay the loans you consolidate.
  - Apply for a Federal Direct Consolidation Loan online at: [StudentLoans.gov](http://StudentLoans.gov)
    - Loans being consolidated must be in grace, repayment, deferment or forbearance.
    - You must include at least one Federal Family Education Loan (FFEL) or Federal Direct Loan in the consolidation. As such, if you are consolidating Perkins/HPLS/LDS/NSL loan(s) you must include at least one FFEL or Direct loan in the consolidation. *(Suggest it be the loan with the smallest balance due to weighted average nature of the interest rate calculation.)*
    - You will be asked to select the company you want to use to service your new Federal Direct Consolidation Loan when completing the application— *suggest you use the same servicer that is currently servicing your existing Federal Direct Loans.*
    - The loan servicer you choose will process your Federal Direct Consolidation Loan application.
    - Processing of your application could take up to 60 days—you may need to continue making payments on the loan(s) you are consolidating if the loan(s) are in repayment; contact your loan servicer for more information.
    - You can opt to delay funding of your new consolidation loan until near the end of any remaining grace period.
    - You can borrow multiple consolidation loans, but you must apply for them one at a time and can only have one application in process at a time. *Once all loans have been consolidated into a single loan, no further consolidation is permitted.*
    - You can add eligible federal loans to an existing Federal Direct Consolidation Loan during the first 180 days after you submit your consolidation loan application; contact servicer of your Consolidation Loan for more information.
    - PERKINS LOAN NOTICE: You will lose the interest subsidy and any loan cancellation benefits on your Federal Perkins Loan(s) if you consolidate your existing Perkins Loans—contact the servicer of your Perkins Loan(s) for more information. *You should NOT consolidate your Perkins Loan(s) if you would be eligible for any cancellation benefits on those loans as you would lose those benefits.*
  - Consolidation loans enter repayment as soon as they are funded; they do NOT have a grace period.
  - Repayment plans are the same as for Direct Student (Stafford) and Direct Grad PLUS Loans.

### CONSOLIDATION – Refinancing option for eligible federal student loans

Allows you to:	<ul style="list-style-type: none"> <li>A. Refinance non-Direct [e.g., FFEL/Perkins/HPSL/LDS/NSL loan(s)] federal student loans held by lender(s) other than U.S. Department of Education (ED) into a new Federal Direct Consolidation Loan held by ED and serviced by a single servicer to increase convenience during repayment.</li> <li>B. Refinance non-Direct [e.g., FFEL/Perkins/HPSL/LDS/NSL loan(s)] in the Federal Direct Loan Program so that the debt can qualify potentially for <b>REPAYE/PAYE</b> payment plans as well as the “Public Service Loan Forgiveness” (<b>PSLF</b>) program.</li> <li>C. Refinance Stafford loan(s) borrowed prior to July 1, 2006 that have a VARIABLE interest rate into a FIXED-rate Federal Direct Consolidation Loan.</li> <li>D. Obtain a longer repayment term (up to maximum of 30 years) than would otherwise exist based on total student loan debt if you need to reduce the monthly payment and the Income-Driven Repayment (IDR) plans do not provide the flexibility you need.</li> <li>E. Refinance FFEL/Perkins/HPSL/LDS/NSL loan(s) in the Federal Direct Consolidation Loan Program so that the debt can qualify for the <b>Extended Payment Plans (25-year amortization)</b>.</li> <li>F. Release an endorser from an existing Grad PLUS Loan by refinancing that loan with a Federal Direct Consolidation Loan (<i>approval of a Direct Consolidation Loan is not subject to the adverse credit criteria of the Grad PLUS Loan</i>).</li> <li>G. Refinance Perkins/HPSL/LDS/NSL Loans to take advantage of the <b>0.25%</b> interest rate reduction that currently is offered to borrowers who repay their Direct Loans using the <b>AUTO-PAY</b> feature.</li> <li>H. Refinance loans that are in their GRACE PERIOD so that the debt can be forced into repayment sooner (e.g., for PSLF).</li> </ul>
To apply:	• <b>Go to: <a href="http://StudentLoans.gov">StudentLoans.gov</a></b>
When to consolidate:	• <b>When loan(s) are in grace, repayment, deferment or forbearance.</b>

### ACTION PLAN:

# Interest Rate Chart—Federal Student Loans

(More information is available at: [StudentAid.gov](http://StudentAid.gov) and at [StudentLoans.gov](http://StudentLoans.gov).)

LOAN TYPE	UNDERGRAD/GRAD-PROF	DATE OF 1 <sup>st</sup> DISBURSEMENT	INTEREST RATE
Subsidized/Unsubsidized Direct/FFEL (Stafford) Loans	Undergrad/Grad-Prof	July 1, 1998-June 30, 2006	VARIABLE RATE <i>(Effective 7/1/2017 thru 6/30/2018)</i> 2.68% <i>(in-school, grace, deferment)</i> 3.28% <i>(in repayment, forbearance)</i>
Subsidized Direct/FFEL (Stafford) Loans	Undergrad	July 1, 2006 – June 30, 2008	6.8% (fixed)
		July 1, 2008 – June 30, 2009	6.0% (fixed)
		July 1, 2009 – June 30, 2010	5.6% (fixed)
		July 1, 2010 – June 30, 2011	4.5% (fixed)
		July 1, 2011 – June 30, 2013	3.4% (fixed)
Unsubsidized Direct/FFEL (Stafford) Loans	Undergrad	July 1, 2006 – June 30, 2013	6.8% (fixed)
<b>Subsidized and Unsubsidized Direct (Stafford) Loans</b>	<b>Undergrad</b>	July 1, 2013 – June 30, 2014	3.86% (fixed)
		July 1, 2014 – June 30, 2015	4.66% (fixed)
		July 1, 2015 – June 30, 2016	4.29% (fixed)
		July 1, 2016 – June 30, 2017	3.76% (fixed)
		July 1, 2017 – June 30, 2018	4.45% (fixed)
		<b>July 1, 2018 – June 30, 2019</b>	<b>5.05% (fixed)</b>
Subsidized Direct/FFEL (Stafford) Loans	Grad-Prof	July 1, 2006 – June 30, 2012	6.8% (fixed)
<b>Unsubsidized Direct/FFEL (Stafford) Loans</b>	<b>Grad-Prof</b>	July 1, 2006 – June 30, 2013	6.8% (fixed)
		July 1, 2013 – June 30, 2014	5.41% (fixed)
		July 1, 2014 – June 30, 2015	6.21% (fixed)
		July 1, 2015 – June 30, 2016	5.84% (fixed)
		July 1, 2016 – June 30, 2017	5.31% (fixed)
		July 1, 2017 – June 30, 2018	6.00% (fixed)
FFEL Grad PLUS Loans	Grad-Prof	July 1, 2006 – June 30, 2010	8.5% (fixed)
<b>Direct Grad PLUS Loans</b>	<b>Grad-Prof</b>	July 1, 2006 – June 30, 2013	7.9% (fixed)
		July 1, 2013 – June 30, 2014	6.41% (fixed)
		July 1, 2014 – June 30, 2015	7.21% (fixed)
		July 1, 2015 – June 30, 2016	6.84% (fixed)
		July 1, 2016 – June 30, 2017	6.31% (fixed)
		July 1, 2017 – June 30, 2018	7.00% (fixed)
Direct/FFEL Consolidation Loans	ALL	ALL	FIXED RATE <i>Weighted average of interest rates of loans being consolidated rounded up to nearest 1/8<sup>th</sup> percent.</i>
Perkins Loans <i>(subsidized)</i>	ALL	ALL	5.0% (fixed)
HPSL, LDS, NSL, PCL <i>(subsidized)</i>	ALL	ALL	5.0% (fixed)
Other			

## Useful online resources provided by the U.S. Department of Education:

<a href="http://StudentAid.gov">StudentAid.gov</a>	<ul style="list-style-type: none"> <li>Information about federal student aid programs offered by U.S. Department of Education</li> </ul>
<a href="http://StudentLoans.gov">StudentLoans.gov</a>	<ul style="list-style-type: none"> <li>Repayment Estimator</li> <li>“Federal Direct Consolidation Loan” application</li> <li>“Income-Driven Repayment (IDR) Plan Request” form</li> </ul>
<a href="http://NSLDS.ed.gov">NSLDS.ed.gov</a>	<ul style="list-style-type: none"> <li>Listing of all U.S. Department of Education federal student loans borrowed to date</li> <li>Information about current loans including:                             <ul style="list-style-type: none"> <li>Amount owed (principal + accrued interest)</li> <li>Interest rate</li> <li>Date loan enters or entered repayment, and current loan status</li> <li>Loan servicer (including website address and toll-free phone number)</li> </ul> </li> </ul>
<a href="http://StudentAid.gov/publicservice">StudentAid.gov/publicservice</a>	<ul style="list-style-type: none"> <li>Information about “Public Service Loan Forgiveness” (PSLF) program</li> <li>“Employment Certification for Public Service Loan Forgiveness” form</li> <li>Frequently Asked Questions (FAQs) about PSLF</li> </ul>

## Interest Subsidy in IDR Plans

### Subsidy of interest during “negative amortization”

*(“NEGATIVE AMORTIZATION” occurs whenever the amount of your scheduled monthly loan payment is less than the amount of interest that accrued that month on that loan.)*

Plans	Subsidized Loans	Unsubsidized Loans
<b>Revised Pay As You Earn (REPAYE)</b>	100% of negative amortization during first 3 years in plan; <b>50% thereafter</b>	<b>50% of negative amortization during all years in plan</b>
<b>Pay As You Earn (PAYE)</b>	100% of negative amortization during first 3 years in plan; none thereafter	NONE
<b>IBR for New Borrowers</b>	100% of negative amortization during first 3 years in plan; none thereafter	NONE
<b>Income Based Repayment (IBR)</b>	100% of negative amortization during first 3 years in plan; none thereafter	NONE
<b>Income Contingent Repayment (ICR)</b>	NONE	NONE

## REPAYE vs. PAYE

### *What plan should you consider choosing?*

#### REPAYE

- Negative amortization exists (*payment < accrued interest*)
  - Will receive more interest subsidy

#### PAYE

- Negative amortization does **NOT** exist (*payment ≥ accrued interest*)

#### Consider changing from **REPAYE** to **PAYE** once:

- Negative amortization no longer exists (*payment ≥ accrued interest*)
- You get married AND you file separate federal tax returns  
*PAYE payments would be based solely on your AGI—both incomes would be used in REPAYE*
- You have earned at least 19 years of payments that would qualify for forgiveness of the debt  
*Forgiveness could occur after 20 years of income-driven payments rather than 25 years*
- You are reaching the income level where a “**Partial Financial Hardship**” would no longer exist (*payment based on 10% of AGI equals or exceeds 10-year “Standard” amount*)  
*Switching to PAYE before you reach that income level would allow your PAYE payments to max out at 10-year amount once a PFH no longer exists—REPAYE payments would keep increasing as income increases (no payment cap in REPAYE)*

Changing plans causes outstanding accrued interest to be capitalized (*added to principal balance*).

## REPAYE vs. IBR (15%)

### *What plan should you consider choosing?*

#### REPAYE

- Single (*or married filing jointly*) **and negative amortization exists** (*payment < accrued interest*)
  - Payments will be based on 10% of household’s AGI rather than 15%
  - Will receive more interest subsidy

#### IBR

- You’re married and file federal tax returns separately **and negative amortization does not exist** (*payment ≥ accrued interest*)
  - 15% of your AGI alone (*used in IBR*) may equal less than 10% of your combined AGI (*used in REPAYE*)

#### Consider changing from **REPAYE** to **IBR** once:

- You get married AND you file separate federal tax returns  
*15% of your AGI alone (used in IBR) may equal less than 10% of your combined AGI (used in REPAYE)*
- You are reaching the income level where a “**Partial Financial Hardship**” would no longer exist (*payment based on 15% of AGI equals or exceeds 10-year “Standard” amount*)  
*Switching to IBR before you reach that income level would allow your IBR payments to max out at 10-year amount once a PFH no longer exists—REPAYE payments would keep increasing as income increases (no payment cap in REPAYE)*

Changing plans causes outstanding accrued interest to be capitalized (*added to principal balance*).

## Budget Planning Worksheet

	Budget Item	Amount	Assumptions
<b>Income</b>	GROSS ANNUAL INCOME	\$	
	Gross Monthly Income	\$	Annual gross income/12 months
	- Mandatory Payroll Deductions	\$	% of gross for taxes, etc.
	= NET MONTHLY INCOME	\$	
<b>Pay Yourself FIRST</b>	- Retirement Savings	\$	10% of gross monthly income
	- Other Savings (e.g., emergency fund, mortgage down payment, kid's education fund)	\$	10% of gross monthly income
<b>Debts</b>	= BALANCE	\$	
	- Direct/FFEL Loan Payment	\$	Plan =
	- Perkins Loan Payment	\$	
	- Private Loan Payment(s)	\$	
	- Other Loan Payment(s)	\$	
	= BALANCE	\$	
	- Total Credit Card Debt Payment	\$	
	= BALANCE	\$	
	- Other Debt Payments	\$	
<b>Living Expenses</b>	= BALANCE	\$	
	- Rent/Mortgage	\$	
	- Utilities	\$	
	- Phone, Internet, Cable	\$	
	- Food (groceries)	\$	
	- Transportation	\$	
	- Clothing	\$	
	- Entertainment	\$	
	- Misc. Personal Expenses	\$	
	- Other:	\$	
= BALANCE	\$		
<b>Philanthropy</b>	- Charitable Contributions	\$	
	= BALANCE	\$	Should be \$0. If there is a <b>SURPLUS</b> , you have additional funds to allocate. If there is a <b>DEFICIT</b> , you are spending more than you have and must cut back in one or more areas.

