

# Income-Driven Repayment Plan Basic Requirements



Use this document to easily compare the basic requirements for the five available income-driven repayment plans.

- Revised Pay As You Earn (REPAYE)
- Pay As You Earn (PAYE)
- Income-Based Repayment (IBR)
- Income-Based Repayment 2014 (IB4)
- Income-Contingent Repayment (ICR)

**Note:** This document isn't intended to detail all specific features of each plan. For a more complete comparison, refer to the following resources in the Financial Aid Professionals portal on the Great Lakes website (<https://schools.mygreatlakes.org>).

- Income-Driven Repayment Plan Request form, available on Support Central
- Title 34, parts 685.209 (a), (b), and (c), 685.221, and 682.215 of the Code of Federal Regulations, available on the Links and References page, which opens when you select *Policy and Compliance > Links and References*

REPAYE	PAYE	IBR	IB4	ICR
<b>Eligible Loan Types</b>				
Direct Loans <sup>i</sup>	Direct Loans <sup>i</sup>	Federal Family Education Loan Program (FFELP) and Direct Loans	Direct Loans <sup>i</sup>	Direct Loans
<b>Borrower Eligibility</b>				
The borrower must have Direct Loans. They are not required to have partial financial hardship (PFH).	<p>The borrower must:</p> <ul style="list-style-type: none"> <li>• Be a new borrower<sup>ii</sup> on or after 10/01/2007.</li> </ul> <p>-and-</p> <p>Have received a loan disbursement on or after 10/01/2011.<sup>iii</sup></p> <ul style="list-style-type: none"> <li>• Have PFH.</li> </ul>	<p>The borrower must:</p> <ul style="list-style-type: none"> <li>• Have FFELP and/or Direct Loan(s).</li> <li>• Have PFH.</li> </ul>	<p>The borrower must:</p> <ul style="list-style-type: none"> <li>• Be a new borrower<sup>ii</sup> on or after 07/01/2014.</li> <li>• Have PFH.</li> </ul>	The borrower must have Direct Loans. They are not required to have PFH.

REPAYE	PAYE	IBR	IB4	ICR
<b>Loan Eligibility</b>				
<p>All Direct Loans are eligible, except for the following.</p> <ul style="list-style-type: none"> <li>• Parent PLUS Loans</li> <li>• Consolidation loans that repaid Parent PLUS Loans</li> <li>• Defaulted loans<sup>iv</sup></li> </ul>	<p>All Direct Loans are eligible, except for the following.</p> <ul style="list-style-type: none"> <li>• Parent PLUS Loans</li> <li>• Consolidation loans that repaid Parent PLUS Loans</li> <li>• Defaulted loans<sup>iv</sup></li> </ul>	<p>All Direct and FFELP Loans are eligible, except for the following.</p> <ul style="list-style-type: none"> <li>• Parent PLUS Loans</li> <li>• Consolidation loans that repaid Parent PLUS Loans</li> <li>• Defaulted loans<sup>iv</sup></li> </ul>	<p>All Direct Loans are eligible, except for the following.</p> <ul style="list-style-type: none"> <li>• Parent PLUS Loans</li> <li>• Consolidation loans that repaid Parent PLUS Loans</li> <li>• Defaulted loans<sup>iv</sup></li> </ul>	<p>All Direct Loans are eligible, except for Parent PLUS Loans that were not consolidated into Direct Consolidation Loans and defaulted loans.<sup>iv</sup></p>
<b>Income and Loan Debt for Married Borrowers Filing Joint Tax Returns</b>				
<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>	<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>	<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>	<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>	<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>
<b>Income and Loan Debt for Married Borrowers Filing Separate Tax Returns</b>				
<p>Use both spouses' incomes and loan debts unless the borrower is separated from their spouse or unable to reasonably access their spouse's income information.</p>	<p>Use the borrower's income and loan debt.</p>	<p>Use the borrower's income and loan debt.</p>	<p>Use the borrower's income and loan debt.</p>	<p>Use the borrower's income and loan debt.</p> <p>-or-</p> <p>Use both spouses' incomes and loan debts if they choose to jointly repay under ICR.</p>
<b>PFH</b>				
<p>N/A</p>	<p>PFH is required for the initial determination and for the borrower to continue making reduced monthly payments.</p> <p>PFH exists when the borrower's annual payment on a 10-year Standard repayment plan &gt; [(adjusted gross income (AGI) – 150% poverty guideline) X 10%].</p>	<p>PFH is required for the initial determination and for the borrower to continue making reduced monthly payments.</p> <p>PFH exists when the borrower's annual payment on a 10-year Standard repayment plan &gt; [(AGI – 150% poverty guideline) X 15%].</p>	<p>PFH is required for the initial determination and for the borrower to continue making reduced monthly payments.</p> <p>PFH exists when the borrower's annual payment on a 10-year Standard repayment plan &gt; [(AGI – 150% poverty guideline) X 10%].</p>	<p>N/A</p>

REPAYE	PAYE	IBR	IB4	ICR
<b>Reduced Monthly Payment Calculation</b>				
<p>Payments are calculated using the following formula: <math>[(AGI - 150\% \text{ poverty guideline}) \times 10\%] / 12</math></p> <p><b>Note:</b> This can result in a \$0 monthly payment.</p>	<p>Payments are calculated using the following formula: <math>[(AGI - 150\% \text{ poverty guideline}) \times 10\%] / 12</math></p> <p><b>Note:</b> This can result in a \$0 monthly payment.</p>	<p>Payments are calculated using the following formula: <math>[(AGI - 150\% \text{ poverty guideline}) \times 15\%] / 12</math></p> <p><b>Note:</b> This can result in a \$0 monthly payment.</p>	<p>Payments are calculated using the following formula: <math>[(AGI - 150\% \text{ poverty guideline}) \times 10\%] / 12</math></p> <p><b>Note:</b> This can result in a \$0 monthly payment.</p>	<p>The lesser of the following is used.</p> <ul style="list-style-type: none"> <li>Amount paid on 12-year amortization X income percentage factor<sup>v</sup></li> <li>-or-</li> <li>20% of discretionary income (AGI – poverty guideline for the borrower’s family size)</li> </ul>
<b>Change in Payment Amount</b>				
<p>Annual reevaluation required with no Permanent-Standard cap.<sup>vi</sup></p> <p>If the borrower does not recertify their income and family size, they’re placed in the REPAYE Alternative Repayment plan.<sup>vii</sup></p> <p>-or-</p> <p>If exiting REPAYE, the borrower may switch to any plan for which they are otherwise eligible.</p>	<p>Annual reevaluation of PFH is required.</p> <p>If no PFH exists, the borrower pays the Permanent-Standard amount.<sup>vi</sup></p> <p>-or-</p> <p>If exiting PAYE, the borrower may switch to any plan for which they are otherwise eligible.</p>	<p>Annual reevaluation of PFH is required.</p> <p>If no PFH exists, the borrower pays the Permanent-Standard amount.<sup>vi</sup></p> <p>-or-</p> <p>If exiting IBR, the borrower must switch to the Expedited Standard repayment plan before moving to another plan.<sup>viii</sup></p>	<p>Annual reevaluation of PFH is required.</p> <p>If no PFH exists, the borrower pays the Permanent-Standard amount.<sup>vi</sup></p> <p>-or-</p> <p>If exiting IB4, the borrower must switch to the Expedited Standard repayment plan before moving to another plan.<sup>viii</sup></p>	<p>Annual recalculation is required.</p>

REPAYE	PAYE	IBR	IB4	ICR
<b>Interest Subsidy Benefits</b>				
<p>If the loan negatively amortizes (i.e., payments don't cover accrued interest), the U.S. Department of Education (ED) subsidizes the interest not covered by payments for a total of 3 years on subsidized loans.<sup>ix</sup></p> <p>For unsubsidized loans, ED subsidizes 50% of the difference between the monthly payment amount and remaining accrued interest. This also applies to subsidized loans after 3 consecutive years of payments.</p>	<p>If the loan negatively amortizes, ED subsidizes the interest not covered by payments for a total of 3 years on subsidized loans.<sup>ix</sup></p>	<p>If the loan negatively amortizes, ED subsidizes the interest not covered by payments for a total of 3 years on subsidized loans.<sup>ix</sup></p>	<p>If the loan negatively amortizes, ED subsidizes the interest not covered by payments for a total of 3 years on subsidized loans.<sup>ix</sup></p>	N/A
<b>Interest Capitalization</b>				
<p>Capitalization occurs when the borrower exits REPAYE.</p> <ul style="list-style-type: none"> <li>• Normal capitalization rules apply</li> <li>• No 10% cap</li> </ul>	<p>Capitalization occurs when:</p> <ul style="list-style-type: none"> <li>• No PFH exists (limited to 10% of the outstanding principal balance when the borrower entered PAYE).</li> <li>• The borrower exits PAYE completely.</li> </ul>	<p>Capitalization occurs when:</p> <ul style="list-style-type: none"> <li>• No PFH exists.</li> <li>• The borrower exits IBR completely.</li> </ul>	<p>Capitalization occurs when:</p> <ul style="list-style-type: none"> <li>• No PFH exists.</li> <li>• The borrower exits IBR4 completely.</li> </ul>	<p>If the loan negatively amortizes, capitalization occurs annually up to an aggregate cap of 10% of the outstanding principal balance when the borrower entered repayment.</p>
<b>Payment Application</b>				
<p>Payments are applied in the following order.</p> <ul style="list-style-type: none"> <li>• Interest</li> <li>• Collection costs</li> <li>• Principal</li> </ul>	<p>Payments are applied in the following order.</p> <ul style="list-style-type: none"> <li>• Interest</li> <li>• Collection costs</li> <li>• Principal</li> </ul>	<p>Payments are applied in the following order.</p> <ul style="list-style-type: none"> <li>• Interest</li> <li>• Collection costs/late fees</li> <li>• Principal</li> </ul>	<p>Payments are applied in the following order.</p> <ul style="list-style-type: none"> <li>• Interest</li> <li>• Collection costs</li> <li>• Principal</li> </ul>	<p>Payments are applied in the following order.</p> <ul style="list-style-type: none"> <li>• Collection costs</li> <li>• Interest</li> <li>• Principal</li> </ul>

REPAYE	PAYE	IBR	IB4	ICR
<b>Forgiveness</b>				
Forgiveness occurs after 20 or 25 years of making qualifying payments, if a balance remains. <sup>x, xi</sup>	Forgiveness occurs after 20 years of making qualifying payments, if a balance remains. <sup>x</sup>	Forgiveness occurs after 25 years of making qualifying payments, if a balance remains. <sup>x</sup>	Forgiveness occurs after 20 years of making qualifying payments, if a balance remains. <sup>x</sup>	Forgiveness occurs after 25 years of making qualifying payments, if a balance remains. <sup>x</sup>
<b>Failure to Recertify</b>				
The borrower is placed on the REPAYE Alternative Repayment plan. To regain access to REPAYE, the borrower must provide income and family size documentation for the time they were not in the plan. If monthly payments while on the REPAYE Alternative Repayment plan or other repayment plan are less than the amount that would have been required under REPAYE, the REPAYE increased amount is amortized over the life of the loan.	Permanent-Standard <sup>vi</sup>	Permanent-Standard <sup>vi</sup>	Permanent-Standard <sup>vi</sup>	Permanent-Standard <sup>vi</sup>

## Notes

<sup>i</sup> Even though FFELP Loans are not eligible to be repaid under REPAYE, PAYE, or IB4, they are eligible to be counted towards determining a borrower's total indebtedness under those plans.

<sup>ii</sup> A new borrower is a borrower who has no outstanding balance on a FFELP or Direct Loan on the relevant date (e.g., 10/01/2007 for PAYE or 07/01/2014 for Direct Loans in IBR), or who has no outstanding balance on a FFELP or Direct Loan when they obtain a loan after the relevant date.

<sup>iii</sup> This can be any disbursement of an eligible loan, including a Direct Consolidation Loan based on an application received on or after 10/01/2011, as long as the Direct Consolidation Loan does not include an ineligible loan or a loan that would otherwise make the borrower ineligible.

<sup>iv</sup> Defaulted loans are not eligible unless consolidated and approved for forced income-driven repayment.

<sup>v</sup> Annually, ED publishes a Federal Register Notice that includes an income percentage factor table. These factors adjust the payment based on the income of the borrower and their spouse, if applicable.

<sup>vi</sup> The Permanent-Standard amount is established when a borrower requests IBR, IB4, or PAYE and is the maximum monthly amount the borrower pays when they no longer have PFH or fail to provide the required documentation during the annual review process. It prevents the borrower's monthly payment amounts from exceeding what they would have paid on a 10-year Standard repayment plan. While paying the Permanent-Standard amount, the borrower's repayment period may exceed 10 years.

<sup>vii</sup> Under the REPAYE Alternative Repayment plan, the borrower's payment amount is recalculated to pay their remaining balance over a period that is the lesser of the following.

- 10 years
- or-
- The remainder of the 20-year period (if the borrower has only undergraduate loans or consolidation loans that repaid undergraduate loans) or 25-year loan period (if the borrower has only graduate/professional loans or consolidation loans that repaid graduate/professional loans, or both undergraduate and graduate/professional loans).

<sup>viii</sup> The Expedited Standard repayment plan applies only to IB4 and IBR and is the plan a borrower transitions into when exiting completely. A borrower can stay in the Expedited Standard repayment plan or switch to another plan after making one monthly payment. The monthly payment amount under this plan is the amount required for the borrower to repay their loans in full within the time remaining in a Standard repayment plan (i.e., either the 10-year Standard repayment plan or the consolidation Standard repayment plan minus time already used). If a borrower is unable to make the Expedited Standard monthly payment required before switching to another plan, it may be covered with a reduced-payment forbearance. The borrower should contact their loan servicer for details.

<sup>ix</sup> This benefit is only available for the first three years of the plan and includes any time a borrower may have used in IB4, IBR, PAYE, or REPAYE.

<sup>x</sup> Months when the borrower was in an economic hardship deferment are considered the equivalent of making qualifying payments. In addition, the amount forgiven may be taxable.

<sup>xi</sup> If a borrower is making payments under REPAYE for only undergraduate loans (or consolidation loans that repaid undergraduate loans), they are eligible for loan forgiveness after 20 years. If a borrower is making payments under REPAYE for only graduate/professional loans (or consolidation loans that repaid graduate/professional loans) or both undergraduate and graduate/professional loans, they are eligible for loan forgiveness after 25 years.