What is an Income-Driven Repayment Plan for Student Loans?

Answer:

The federal government offers several income-driven repayment plans for borrowers with federal student loans. Under these plans, a borrower's monthly student loan payments are calculated based on his or her discretionary income and family size, which are verified and updated each year. Borrowers must qualify for these plans--enrollment is not automatic. The main plans are:

- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)
- Income-based repayment (IBR)
- Income contingent repayment (ICR)

These programs are open to borrowers with federal Direct Stafford Loans (subsidized or unsubsidized), Graduate PLUS Loans, and Consolidation Loans. (Note that the calculation of "discretionary income" differs among programs.)

Under Pay As You Earn (PAYE), borrowers who obtained their loans on or after July 1, 2007 and meet income guidelines will generally pay 10% of their discretionary income to their monthly loan payment, with any remaining debt forgiven after 20 years of timely payments.

Under Revised Pay As You Earn (REPAYE), borrowers who obtained their loans at any time and meet income guidelines will generally pay 10% of their discretionary income to their monthly loan payment, with any remaining debt forgiven after 20 years of timely payments for undergraduate borrowers and 25 years of timely payments for graduate school borrowers.

Under Income-Based Repayment (IBR), borrowers who obtained their loans on or after July 1, 2014 and meet income guidelines will generally pay 10% of their discretionary income to their monthly loan payment, with any remaining debt forgiven after 20 years of timely payments (borrowers who obtained their loans before July 1, 2014 will generally pay 15% of their discretionary income for 25 years before the remaining balance is forgiven.)

Under Income Contingent Repayment (ICR), borrowers who meet income guidelines will generally pay 20% of their discretionary income toward their monthly loan payment, with any remaining debt forgiven after 25 years of timely payments. Under any of these programs, borrowers in certain public interest jobs may be able to have their loans forgiven after 10 years under the federal Public Service Loan Forgiveness (PSLF) Program.

For more information about any of these programs, including income guidelines, visit the Department of Education's student aid website at studentaid.ed.gov.