

Income-Based Repayment

It can be difficult to follow a standard 10-year student loan payment schedule—especially if you have a lot of student loan debt or a low income. That’s why income-based repayment (IBR) was created. IBR caps payments based on a borrower’s income and family size. This can make it easier to balance loan repayment with your other financial commitments.

Am I Eligible?

IBR began July 1, 2009, and federal student loan borrowers who demonstrate partial financial hardship are eligible. Your loans can be in either the Direct Loan program or the Federal Family Education Loan Program, and most federal loans are eligible. However, there are a few exceptions.

Eligible loans include:

- Subsidized and unsubsidized Stafford loans
- SLS loans
- Grad PLUS loans
- Consolidation loans without underlying Parent PLUS loans
 - Perkins loans within Consolidation loans

Ineligible loans include:

- Parent PLUS loans
 - Consolidation loans with underlying Parent PLUS loans
- Perkins, HSPL, and HEAL loans unless they are included in a Consolidation loan
- Private, state, and other non-federal student loans
- Loans in default

What Are the Benefits of IBR?

Like other repayment plans, IBR allows you to pay less each month. Unlike some other plans, payment amounts are based on your situation: What you pay depends on your income and your family size. IBR offers some additional benefits as well:

- If you have subsidized Stafford loans and your payment is less than the amount of your monthly interest, the government will pay the difference for up to 3 years.
- Your payments are adjusted accordingly if your financial situation worsens.
- After making 25 years of eligible payments (or making 300 eligible payments), you are qualified for loan forgiveness.

However, you should also keep in mind the following when determining whether IBR is right for you.

- Like other plans that extend repayment terms, IBR can add to the total cost of your loan.
- Loan forgiveness isn’t effective until June 1, 2034, and most borrowers’ loan terms will be too short for them to qualify for forgiveness.

How Do I Apply for IBR?

If you think IBR will help you manage your education debt, you should contact your loan’s lender. They will ask you to do the following:

- Complete the Common Application for the program.
- Complete an IRS form 4506-T—this authorizes the IRS to disclose and submit tax return information to your lender.

Once your lender has this information, they will calculate whether you display partial financial hardship. If you do, your lender will then cap the total monthly payments on your eligible loans at 15 percent of your discretionary income.

Where Can I Find More Information About IBR?

American Student Assistance® (ASA) is your neutral resource for information about this new repayment option. Visit www.amsa.com to find up-to-date information about how IBR works, including how partial financial hardship and discretionary income are calculated.

If you have additional questions about IBR, or your other repayment options, contact one of our wellness counselors at **866.274.4481**. Remember, you can successfully manage your education debt. ASA® can help.

