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REPAYMENT PLANS.

YOU HAVE CHOICES!

Most federal student loans offer you a choice of repayment plans. You decide which plan is right for you. Each repayment plan has its own advantages, and may also have some features that may not suit your repayment goals. You will be asked to select a repayment plan shortly before entering repayment, but you won't be locked into your plan. You can change plans at least once per year – your lender may permit you to change plans more frequently. If you find that a repayment plan isn't working for you, contact your lender to discuss alternatives.

HOW DO I SELECT A REPAYMENT PLAN?

Selecting a repayment plan can seem daunting. But you can narrow your decision by thinking about your preferences in three main areas:

- Monthly payment you can make
- Length of time to repay the loan
- Total interest you are willing to pay

Evaluate all of these factors when selecting a plan. Think, too, about your own situation:

- Do I need low payments now to cover other short-term expenses (relocating)?
- Do I need to pay my loans quickly to be ready for other expenses later (family, house)?
- Does my career typically have a flat salary or one that increases over time?

Start by looking at a standard plan, then look at how other repayment plans compare. Talk to your lender about the plans they offer. Then select the plan that fits best with your own goals and situation.

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STANDARD REPAYMENT PLAN

Amount Borrowed	6% Interest Rate			6.8% Interest Rate			8.5% Interest Rate		
	Monthly Payment	Total Interest Paid	Total Repaid	Monthly Payment	Total Interest Paid	Total Repaid	Monthly Payment	Total Interest Paid	Total Repaid
$5,000	$56	$1,662	$6,662	$58	$1,905	$6,905	$62	$2,440	$7,440
$10,000	$112	$3,323	$13,323	$116	$3,810	$13,810	$124	$4,878	$14,878
$15,000	$167	$4,984	$19,984	$173	$5,715	$20,715	$186	$7,318	$22,318
$20,000	$223	$6,645	$26,645	$231	$7,620	$27,620	$248	$9,757	$29,757
$25,000	$278	$8,307	$33,307	$288	$9,525	$34,525	$310	$12,196	$37,196
$50,000	$556	$16,613	$66,613	$576	$19,049	$69,049	$620	$24,392	$74,392
$100,000	$1,111	$33,225	$133,225	$1,151	$38,097	$138,097	$1,240	$48,783	$148,783
$150,000	$1,666	$49,837	$199,837	$1,727	$57,145	$207,145	$1,860	$73,174	$223,174
$200,000	$2,221	$66,450	$266,450	$2,302	$76,193	$276,193	$2,480	$97,566	$297,566

Calculated amounts are based on a 10-year standard schedule and have been rounded up to the nearest whole dollar.

COMPARING FEDERAL FAMILY EDUCATION LOAN REPAYMENT PLANS

Repayment Plan	How it Works	Factors to Consider	Amount Borrowed	6.8% Interest Rate			
				Initial/ Subsequent Monthly Payment	Total Interest Paid	Months of Payments	Total Repaid
Standard	• Payment amount scheduled in substantially equal payments each month • 10-year repayment term*	• Payment stability for budgeting purposes • High monthly payment	$5,000 $20,000 $50,000 $100,000	$58 $230 $575 $1,151	$1,905 $7,619 $19,048 $38,097	120 120 120 120	$6,905 $27,619 $69,048 $138,097
Graduated	• Payment amount scheduled to change (usually increasing) at one or more intervals • Payment must cover monthly accruing interest • 10-year repayment term*	• Payment typically lower at first • Somewhat higher interest cost than standard plan • Make sure later payment tiers will be affordable	$5,000 $20,000 $50,000 $100,000	$30/74 $113/300 $283/750 $567/1500	$2,294 $9,272 $23,179 $46,359	120 120 120 120	$7,294 $29,272 $73,179 $146,359
Extended	• May provide either level or graduated payments • Minimum balance requirement > $30,000 • Only available to "new borrowers" on or after 10/7/98 • 25-year repayment term	• Lower monthly payment amount • Significantly higher total interest costs	$5,000 $20,000 $50,000 $100,000	N/A N/A $347 $694	N/A N/A $54,109 $108,223	N/A N/A 300 301	N/A N/A $104,109 $208,223
Income-Sensitive	• Income considered in establishing payment amount • Payment amount reviewed annually • Payment must cover monthly accruing interest • 10-year repayment term (plus up to 5 years of reduced payment forbearance)*	• Income consideration typically yields lower payment • Typically higher interest costs than standard plan	$5,000 $20,000 $50,000 $100,000	$30/57 $113/230 $283/575 $567/1151	$2,236 $8,979 $36,048 $72,216	132 132 180 180	$7,236 $28,979 $86,048 $172,216
Income-Based	• Must demonstrate partial financial hardship to initially qualify • Payment calculated by comparing income and poverty line • Payment amount reviewed annually	• Payment directly tied to income • Balance of qualifying payments may be forgiven after 25 years (forgiven amount may be taxable) • Permits $0 payment for extremely low income • Must authorize release of IRS income date	$5,000 $20,000 $50,000 $100,000	$58 $118 $305 $305	$1,905 $12,781 $63,942 $64,685	120 300 300 300	$6,905 $12,833 $64,685 $64,685

* Repayment terms on consolidation loans range from 10 to 30 years, based on the amount of eligible outstanding debt at the time of the consolidation.

Calculation assumptions: 6.8% fixed interest rate; family size of 1; annual income of $25,000 for debt levels of $5,000 and $20,000; annual income of $40,000 for debt levels of $50,000 and $100,000. Calculations are rounded to the nearest whole dollar. Graduated schedule assumes 3 years of interest-only payments followed by a single increase payment tier. Extended schedule calculated under a level-payment schedule. Income-sensitive payments are the greater of 6% of monthly income or monthly accruing interest. All calculations assume eligibility criteria is met, and do not take into consideration salary increases.

QUICK NOTES ABOUT REPAYMENT PLANS

A smaller monthly payment typically results in higher interest cost and/or a longer repayment term.

A higher monthly payment typically results in lower interest cost and/or a shorter repayment term.

A longer repayment term typically yields smaller monthly payments and/or higher interest cost.

A shorter repayment term typically yields higher monthly payments and/or lower interest cost.

LOSFA
Louisiana Office of Student Financial Assistance

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INCOME BASED REPAYMENT.

A new student loan repayment option.

WHAT IS INCOME-BASED REPAYMENT (IBR)?

A student loan repayment option that allows you to keep your loan payments affordable based on your income and family size.

WHEN IS IBR AVAILABLE?

Starting on July 1, 2009.

WHICH OF MY LOANS ARE ELIGIBLE FOR IBR?

Federal Stafford loans (both subsidized and unsubsidized) and Grad PLUS and Consolidation loans in both the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs. IBR is not available for Parent PLUS or Consolidation loans that contain one or more Parent PLUS loans.

WHO CAN USE IBR?

Student loan borrowers who apply, provide income and family-size information, and meet federal eligibility guidelines.

Note: If you have DL loans and work in the government or a nonprofit organization, you may qualify for a new type of public service loan forgiveness. See www.ibrinfo.org for more information.

ARE THERE BENEFITS TO REPAYING MY LOANS UNDER AN IBR PLAN?

You may be eligible for a partial interest subsidy if your IBR payment doesn't cover all accruing interest. On your subsidized loans, the government will pay the remainder of accruing interest that is not otherwise covered by your scheduled IBR payment amount. You are permitted to receive a partial interest subsidy on a subsidized loan during the first 36-month period after the date each loan is approved for IBR. If you have not repaid your loan after making 300 eligible payments under IBR (or certain other qualifying activities) over a 25-year period, the remaining balance on your loan can be forgiven. Under current tax law, the forgiven amount may be taxable.

WHAT FACTORS SHOULD I CONSIDER BEFORE DECIDING IF IBR IS THE RIGHT REPAYMENT OPTION FOR ME?

Consider your situation carefully. Perhaps you need:

- **Long-term repayment relief**
  You may have a moderate to high debt level with income that will stay either low or moderate.
- **Short-term repayment relief**
  You may have a low starting salary but expect your income to increase later.
- **Loan forgiveness**
  If you have DL loans and work in the government or a nonprofit organization, you may be eligible for loan forgiveness programs. See www.ibrinfo.org for more information.

Keep in mind that the reduced monthly payment and longer repayment term an IBR plan allows may result in significantly higher total interest costs.

Talk to your lender/servicer, they can help you understand the different repayment options so you can determine which one is best for your situation.

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HOW DO I APPLY FOR IBR?

The first step is to contact your lender/servicer. To qualify initially for IBR, your lender/servicer will ask for information from you to demonstrate Partial Financial Hardship (PFH). The information used to determine PFH includes:

1. Standard Payment Amount
2. Poverty Line
3. Adjusted Gross Income

1. Standard Payment Amount

This is an annual payment amount calculated using the total balance of your eligible FFEL and DL loans at the time the loans entered repayment. It is based on a standard 10-year repayment term. This amount is used for the PFH calculation regardless of the payment amount or repayment plan you are currently using to repay your loans.

2. Poverty Line

This is an amount based on your family size and your state of residence and calculated as 150% of the federal annual poverty guideline (as determined by the U.S. Department of Health and Human Services at http://aspe.hhs.gov/poverty/index.shtml).

3. Adjusted Gross Income (AGI)

This figure is from your most recent tax return and includes your spouse's income if you filed taxes as "married filing jointly."

Using these 3 components, you demonstrate PFH if: your Standard Payment Amount is more than 15% x (AGI - Poverty Line).

If you demonstrate PFH, then your IBR monthly payment for the upcoming year is calculated as: 15% x (AGI - Poverty Line) ÷ 12.

IBR EXAMPLE

Monthly Payment Amount Federal Stafford loan debt = $20,000 at 6.8% interest rate and a 10-year repayment period	$231
Standard Payment Amount Monthly payment amount of $231 x 12	$2,772
AGI	$20,000
Poverty Line State of residence is one of the 48 contiguous states or the District of Columbia Family size = 1 Poverty guideline = $10,830 Calculation = 150% x $10,830	$16,245

Demonstrating PFH

Is the following a true statement?
$2,772 is more than: 15% x ($20,000 - $16,245) = $563

Yes, $2,772 is greater than $563; the borrower demonstrates PFH.

Calculating the IBR monthly payment amount

Because this borrower demonstrates PFH, the IBR monthly payment is calculated as: $563 ÷ 12 = $47. $47 is the next year's monthly payment amount.

HOW OFTEN WILL MY IBR MONTHLY PAYMENT CHANGE?

In each subsequent year of IBR, your lender will determine if you still have PFH using the same 3 components and, if so, your monthly payment will be calculated using the formula described previously. If you don't demonstrate PFH each subsequent year, you can remain in IBR, however, your monthly payment will be calculated using a different formula.

Contact your lender/servicer to discuss the benefits of remaining in IBR. The key is to understand the repayment options available to you and choose the plan that best fits your situation.

WHAT RESOURCES ARE AVAILABLE TO FIND OUT MORE?

Your lender/servicer is your best resource for more specifics on IBR. Also visit www.ibrinfo.org.

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