

Comparing Income Driven Repayment Plans: PAYE vs. REPAYE

PAYE (Pay As You Earn)	REPAYE (Revised Pay As You Earn)
<p>New Direct Loan borrower as of 10/1/2007 and borrowed post 10/1/2011. No FFEL Loans.</p>	<p>Available to all borrowers of Direct Loans regardless of when the borrower took out the loans. Borrowers can Consolidate FFEL Loans in order to qualify. All loans must be Direct Loans.</p>
<p>For married borrowers filing separately, the AGI of only the borrower is used to calculate the monthly payment amount.</p>	<p>For married borrowers filing separately, the AGI of both the borrower and the spouse are used to calculate the monthly payment amount. For two spouses both with Federal Student Loans, the monthly income-driven payment amount is prorated between the spouses. <i>(A borrower who is separated from his or her spouse or is unable to reasonably access their spouse's income, is not required to provide their spouse's AGI.)</i></p>
<p>For subsidized loans, the Secretary does not charge the borrower the accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the established three-year period, the Secretary charges 100% of the accrued interest.</p>	<p>For subsidized loans, if a borrower's monthly payment is not sufficient to pay the accrued interest (negative amortization), the Secretary does not charge the borrower the remaining accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the already established three-year period the Secretary charges 50% of the remaining accrued interest on subsidized loans during periods of negative amortization.</p>
<p>For unsubsidized loans, the Secretary charges 100% of the accrued interest.</p>	<p>For unsubsidized loans (including Direct PLUS Loans made to graduate students) the Secretary charges 50% of the remaining accrued interest during periods of negative amortization for the life of the loan.</p>
<p>All borrowers qualify for taxable forgiveness after 20 years. PAYE plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications.</p>	<p>If repayment includes loans the borrower received as an undergraduate student or a consolidation loan that repaid only loans the borrower received as an undergraduate student may qualify for taxable forgiveness after 20 years. If repayment includes a loan the borrower received as a graduate or professional student or a consolidation loan that repaid a loan received as a graduate or professional student may qualify for taxable forgiveness after 25 years. REPAYE plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications.</p>
<p>Monthly payments are calculated using the following formula: $((AGI - 150\% \text{ poverty guideline}) * 10\%) / 12$ For each year a borrower is in the IBR plan, the borrower's monthly payment amount is recalculated based on 10% of discretionary income and family size information provided by the borrower The monthly payment will never be more than a borrower's monthly Standard Payment.</p>	<p>Monthly payments are calculated using the following formula: $((AGI - 150\% \text{ poverty guideline}) * 10\%) / 12$ For each year a borrower is in the REPAYE plan, the borrower's monthly payment amount is recalculated based on 10% of discretionary income and family size information provided by the borrower There is no cap on the monthly payment amount.</p>
<p>Capitalization of interest occurs if a borrower can no longer demonstrate a Partial Financial Hardship or if the borrower exits the PAYE plan.</p>	<p>Capitalization of interest only occurs when the borrower exits the REPAYE plan.</p>