Federal Student Loan Repayment Plans

When it comes time to start repaying your student loan(s), you can select a repayment plan that is right for your financial situation. Generally, you'll have from 10 to 25 years to repay your loan, depending on which repayment plan you choose.

Standard Repayment

With the standard plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least $50, and you'll have up to 10 years to repay your loans.

Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment means you may pay the least interest.

Extended Repayment

Under the extended plan, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. If you're a FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. For example, if you have $35,000 in outstanding FFEL Program loans and $10,000 in outstanding Direct Loans, you can choose the extended repayment plan for your FFEL Program loans, but not for your Direct Loans. Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.

This is a good plan if you will need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you may pay more in interest because you're taking longer to repay the loans. Remember that the longer your loans are in repayment, the more interest you will pay.

Graduated Repayment

With this plan, your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

Pay As You Earn

To qualify for Pay As You Earn, you must have a partial financial hardship. You have a partial financial hardship if the monthly amount you would be required to pay on your eligible federal student loans under a 10-year Standard Repayment Plan is higher than the monthly amount you would be required to repay under Pay As You Earn. For this purpose, your eligible student loans include all of your William D. Ford Federal Direct Loan (Direct Loan) Program loans that are eligible for Pay As You Earn, as well as certain types of Federal Family Education Loan (FFEL) Program loans. Although your FFEL Program loans
cannot be repaid under Pay As You Earn, the following types of FFEL Program loans are counted in
determining whether you have a partial financial hardship:

Federal Subsidized and Unsubsidized Federal Stafford Loans
Federal PLUS Loans made to graduate or professional students
Federal Consolidation Loans that did not repay any PLUS loans for parents
Additionally, you must be a new borrower as of Oct. 1, 2007, and must have received a disbursement of
a Direct Loan on or after Oct. 1, 2011. You are a new borrower if you had no outstanding balance on a
Direct Loan or FFEL Program loan as of Oct. 1, 2007, or had no outstanding balance on a Direct Loan or
FFEL Program loan when you received a new loan on or after Oct. 1, 2007.

Your payment amount may increase or decrease each year based on your income and family size. Once
you've initially qualified for Pay As You Earn, you may continue to make payments under the plan even if
you no longer have a partial financial hardship. Find out whether you're eligible for Pay As You Earn.

Income Based Repayment (IBR) Effective July 1, 2009

Income Based Repayment is a repayment plan for the major types of federal loans made to students.
Under IBR, the required monthly payment is capped at an amount that is intended to be affordable
based on income and family size. You are eligible for IBR if the monthly repayment amount under IBR
will be less than the monthly amount calculated under a 10-year standard repayment plan. If you repay
under the IBR plan for 25 years and meet other requirements you may have any remaining balance of
your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments
through IBR, the remaining balance after ten years in a public service job could be cancelled. For more
information about IBR, go to IBR Plan Information or download an IBR Fact Sheet.

Find out if you qualify. To calculate your estimated loan payment amount under IBR, go to the IBR
calculator.

Income Contingent Repayment (ICR - Direct Loans Only)

This plan gives you the flexibility to meet your Direct Loans obligations without causing undue financial
hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross
income (AGI, plus your spouse's income if you're married), family size, and the total amount of your
Direct Loans. Under the ICR plan you will pay each month the lesser of:

The amount you would pay if you repaid your loan in 12 years multiplied by an income percentage
factor that varies with your annual income, or 20 percent of your monthly discretionary income.
If your payments are not large enough to cover the interest that has accumulated on your loans, the
unpaid amount will be capitalized once each year. However, capitalization will not exceed 10 percent of
the original amount you owed when you entered repayment. Interest will continue to accumulate but
will no longer be capitalized (added to the loan principal).

The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time
spent in deferment or forbearance does not count) under this plan, the unpaid portion will be
discharged. You may, however, have to pay taxes on the amount that is discharged.
As of July 1, 2009, graduate and professional student Direct PLUS Loan borrowers are eligible to use the ICR plan. Parent Direct PLUS Loan borrowers are also eligible for the ICR repayment plan.

**Income-Sensitive Repayment Plan (FFELSM Loans only)**

With an income-sensitive plan, your monthly loan payment is based on your annual income. As your income increases or decreases, so do your payments. The maximum repayment period is 10 years. Ask your lender for more information on FFEL Income-Sensitive Repayment Plans.