


Industry Series

IBR Basics


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IBR Basics Industry Series

Course outline

- What is Income-Based Repayment (IBR)?
- Key terms
- Repayment
- Forgiveness
- Borrower counseling



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What is Income-Based Repayment (IBR)?

- New repayment plan available to FFELP and DL borrowers beginning July 1, 2009
- Must have a "partial financial hardship" (PFH) when selecting IBR
- Provides interest subsidy on subsidized loans for up to 3 years if IBR payment is less than accrued interest on those loans
- Provides forgiveness of remaining balance after 25 years (300 payments)



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Borrowers who can benefit from IBR

- Individuals entering careers with relatively high loan debt compared to starting salaries, such as:
 - Medicine
 - Law
 - Elementary/secondary education
 - Social work
- Individuals whose loans are in a delinquent status

Note: Loans may not be currently in default

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Eligible loans:

- Stafford, SLS, Grad PLUS, and
- Federal Consolidation loans that do not include Parent PLUS loans. Perkins, HPSL, HEAL, and FISL loans are eligible if included in a FFELP or DL Consolidation loan

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Ineligible loans:

- Parent PLUS loans or Consolidation loans that include Parent PLUS loans
- Private (or "alternative") student loans, state loans, and other loans not guaranteed by the federal government
- Defaulted loans

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Key terms

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Partial financial hardship (PFH)

Borrower's annual loan payment using the Standard 10-year repayment plan

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15% of (borrower's Adjusted Gross Income – 150% of poverty line amount)

- Based on income and family size

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Adjusted Gross Income (AGI)

- AGI = gross income – deductions (IRS definition)
- IBR and married borrower's filing status:
 - Married/joint: both spouses' AGI are considered in determining payment amount
 - Married/separate: only the borrower's AGI is considered in determining payment amount
- Borrower must provide permission for IRS to disclose AGI and "other tax return information" to lender annually

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Family size

- Includes borrower, spouse, children, unborn children if receiving >50% support, and others who live with the borrower and receive >50% support during that year
- Support includes money, gifts, loans, housing, food, clothes, car medical and dental care and payment of college costs
- Defaults to one (1) if borrower does not provide required information
- Borrower must certify annually

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IBR terms

- Standard-standard
- Permanent-standard
- Expedited-standard

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Standard-Standard

- Payment amount calculated when the borrower initially enters repayment based on a 10-year term, regardless of loan type
- Lender must calculate this amount regardless of whether the borrower chooses the standard repayment plan when initially entering repayment
- This amount is used to determine eligibility of any payments made outside of the IBR repayment plan to count towards the 25 years (300 payments) for IBR loan forgiveness

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Permanent-Standard

- Payment amount calculated immediately preceding entering IBR on loan balance outstanding
- Based on a new 10-year term
- This is the maximum payment amount the borrower will ever be required to make, unless the borrower requests to leave the IBR plan

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Expedited-Standard

- Payment amount calculated once a borrower voluntarily elects to leave the IBR plan
- Amount is calculated using the remaining term based on a standard repayment plan, based on loan type:
 - Maximum of 10 years for Stafford and Grad PLUS, or
 - Maximum of up to 30 years for Consolidation loans, based on original loan balance

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Repayment

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Determining PFH payment amount

- When borrower requests IBR, lender performs PFH calculation
- If PFH calculation shows that loan payment under standard 10-year repayment plan is > 15% [AGI – (150% Poverty line amount for the family size)] divided by 12
- PFH payment cannot exceed the "greater than" calculation above

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Examples	Single borrower with no dependents	Married borrower with two children (and no spousal income or spousal student loan debt)	Married borrower with no other dependents
Eligible student loan debt	\$40,000	\$80,000	\$40,000
Interest rate	6.8%	6.8%	6.8%
Adjusted Gross Income	\$30,000	\$60,000	\$25,000
10-year Standard plan monthly payment	\$460	\$920	\$460
Estimated monthly payment under IBR plan	\$170	\$340	\$40
Reduction in monthly payment amount	\$290	\$580	\$420

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IBR payment amounts

- Payment amount less than \$5.00 = \$0 payment amount due
- Payment amount between \$5.00 and \$10.00 = \$10.00 payment amount due

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Borrowers with multiple loans/holders

- The borrower must contact each loan holder separately to request IBR
- Each loan holder must include all eligible loans that it holds in the IBR plan, unless the borrower requests otherwise

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Qualifying for subsequent years

- Borrower's eligibility and IBR monthly payment is re-evaluated annually
- Borrower must submit IBR forms to holder each year
 - If borrower fails to submit IBR forms, holder required to recalculate the borrower's monthly payment

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Repayment terms

- Once in IBR, repayment can extend beyond 10 years regardless of the amount of the eligible debt
- Borrower can elect to remain in IBR even when he or she no longer meets PFH
- Borrower is not locked into IBR, but could have consequences if he or she voluntarily leaves plan

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Deferment and forbearance

- Like other types of repayment plans, borrower is eligible for deferment and forbearance under IBR.

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IBR forms

- FFELP Income-Based Repayment Plan Application
- Documentation of AGI:
 - IRS form 4506-T: Request for Transcript of Tax Return **OR**
 - First two pages of Tax Return **OR**
 - FFELP Income-Based Repayment (IBR) Alternative Documentation of Income

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Forgiveness

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What counts as an eligible payment?

- Borrower must have made 300 eligible payments
 - Must have qualified for IBR repayment plan at least once
- Each month during a borrower's Economic Hardship Deferment on or after July 1, 2009
- 25 years must have elapsed; no forgiveness will be granted prior to July 1, 2034
- Any loan amount forgiven is taxable

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What does NOT count as an eligible payment?

- Payments made prior to July 1, 2009
- Payments less than the required amount under IBR
- Payments made while in default
- Payments made under a rehabilitation agreement

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Consolidation

If borrower chooses to consolidate a loan on which the "25-year IBR forgiveness clock" had already started, the clock will re-start on the date of disbursement of the Consolidation loan.

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IBR & Public Service Loan Forgiveness

Department forgives outstanding balance on an eligible Direct Loan if:

- The borrower has made 120 separate, full monthly, on-time payments after October 1 2007, under one or more specified repayment plans (ICR and IBR)
- The loan is not in default
- The borrower is employed full time in a qualifying public service job during the period the borrower makes the required 120 payments and at the time loan forgiveness is requested and granted

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IBR Implementation

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IBR benefits for borrowers

- More manageable monthly payment (including \$0 payment amount)
- In certain situations, accrued interest is paid for three years on subsidized loans
- Avoid delinquency and default
- Healthier credit history
- Remaining principal and interest forgiven after 25 years of payments

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IBR considerations for borrowers

- More interest paid over time
- Repayment period more than 10 years
- Annual submission of information on income and family size to prove continued eligibility for reduced payments under IBR

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IBR benefits for schools

- Provides more choices for students to pursue their desired programs of study
- Assists student borrowers avoid delinquency and default
- Avoiding default positively impacts a school's cohort default rate

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TG implementation

- Training customers
 - An IBR series of *Shoptalk* articles
 - Internal training of TG team members; especially call center staff
 - Webinars for TG school and lender customers
 - Updated TG collateral; brochures, entrance counseling (MYF also updated with IBR information)

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TG implementation

- Counseling the borrower
 - Identifying
 - Evaluating
 - Facilitating IBR forms process
- Working with lenders to maximize borrower communications

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TG resources

- *TG Online*—Managing Repayment page at:
<http://www.tgslc.org/borrowers/repay/ibr.cfm>
- *Shoptalk Online*—special IBR edition at:
<http://www.tgslc.org/shoptalk/2009/st510/st51000.cfm>
- IBR calculator at:
<http://www.aie.org/Calculators/index.cfm>
- Order new and updated brochures at:
<http://www.tgslc.org/order/index.cfm>

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Questions?
Call (800) 845-6267,
contact cust.assist@tgslc.org, or
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