



Questions and answers from TG's webinar *IBR Basics* held on August 5, 2009

(Recording available to view at

http://tgscl.na4.acrobat.com/ibr_controlbar02/)

Q: The IBR (Income-based Repayment) plan is for a year. If a borrower requests IBR half way in the year (July), will it only be for the remainder of the year (6 months) or will it be 12 months beginning on the month the borrower is approved for IBR?

A: A borrower can request an IBR plan at any time (on or after July 1, 2009). The 12-month period does not follow a specific fiscal or calendar year. If the borrower qualifies for the IBR plan (i.e. initially has a partial financial hardship), the 12-month period starts once the lender places the borrower in the IBR plan. Once under an IBR plan, the borrower would receive documentation from the lender towards the end of the 12-month period to reapply for the subsequent year.

Q: Is this repayment plan something I should be encouraging students to consider or should I just include it as an option when reviewing payment plans?

A: Unlike other repayment plans, which may require a one-size-fits-all payment amount, IBR establishes a monthly payment that takes the borrower's unique situation into account by considering his/her income, family size, and federal student loan debt. Borrowers should be encouraged to use the various IBR calculators and tools available to see what an estimated IBR payment may look like in comparison to a standard monthly payment. While it will not be a universal remedy for repayment difficulties, it is clear that IBR can provide a more manageable payment for borrowers. A manageable monthly payment could make the difference in whether or not a borrower is successful in fulfilling his/her repayment obligations.

Borrowers can use TG's IBR page at the following url to obtain more information about IBR and utilize TG's IBR calculator to determine if they may qualify for IBR:

<http://www.tgscl.org/borrowers/repay/ibr.cfm>

In addition, to supplement guidance about repayment plans, schools may now order a new TG brochure entitled *Income-Based Repayment*. This new brochure provides information about how IBR works and how it can help borrowers manage repayment.

Lastly, TG's brochure entitled *Repayment Plan Options* has been updated to provide information about IBR and provides monthly payment examples for all repayment plans (including IBR). The examples are likely to be helpful in comparing repayment plans. These brochures can be ordered at the following url:

<http://www.tgscl.org/order/index.cfm>

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Q: After a borrower who is in default, makes his 9 consecutive payments and brings himself back to good standing, then he can apply for IBR?

A: Yes. After the borrower makes his/her nine on-time, full monthly payments over a period of 10 consecutive months on the defaulted loan(s) and upon purchase of the defaulted loan(s) by an eligible lender, the borrower could then seek to repay these rehabilitated loans under an IBR plan.

Q: So what if the Adjusted Gross Income (AGI) is \$0 because the student is unemployed?

A: A borrower with a zero AGI will qualify for IBR given that the borrower will demonstrate a partial financial hardship. In this instance, the borrower's monthly payment would be \$0 under IBR for the 12-month period. In the event that the \$0 AGI is due to unemployment, the borrower is likely to meet the condition for an unemployment deferment. In this instance, because unemployment deferment is limited to three years, the borrower may consider requesting the IBR plan with a \$0 payment rather than electing deferment.

Q: What if a borrower changes from a public service job and then switches to a non-public servant job; does this impact IBR?

A: Once a borrower initially qualifies for IBR, unless the borrower elects to leave the IBR plan, the borrower will remain under that plan. Switching from a public service job to a non-public service job will not impact IBR, but may impact the borrower's eligibility for Public Service Loan Forgiveness. More information on Public Service Loan Forgiveness can be found on Slide 28 of the presentation and is available at the following Web site:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/PSF.jsp>

Q: If both the student and spouse are holders of student loans, would the AGI be the family's AGI or their individual incomes?

A: The borrower's AGI is the one reported to the Internal Revenue Service (IRS). For a married borrower filing jointly, the AGI includes both the borrower's and spouse's incomes. For a married borrower filing separately, the AGI includes only the borrower's income.

Q: Can borrowers payoff their loan amount under the IBR plan at any time without penalty?

A: Yes. A borrower may always prepay on his/her loans without penalty under any repayment plan available, including an IBR plan.

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Q: What if a borrower's spouse has a very high AGI, but the couple files separately. Shouldn't both spouses need to submit tax forms?

A: The borrower's AGI is the one reported to the IRS. For a married borrower filing jointly, the AGI includes both the borrower's and spouse's income. For a married borrower filing separately, the AGI includes only the borrower's income.

Q: Is there a minimum loan amount that a student must have to apply for IBR?

A: No; there is no minimum loan amount that a student must have to apply for an IBR plan. To qualify initially, the borrower must have a partial financial hardship (PFH). As noted on slide 8, a borrower is considered to have a PFH if the annual amount due on all of his/her eligible loans exceeds 15% of the difference between his/her AGI as listed on the federal income tax return and 150% of the poverty line for the family size.

Q: How does IBR differ from income-sensitive repayment (ISR)?

A: While both repayment plans use the borrower's income to determine the monthly payment amount, there are a number of unique differences between them. A summary of these differences can be found in Edition 512 of TG's *Shoptalk Online* at the following url:

<http://www.tgslc.org/shoptalk/2009/st512/st51204.cfm#policy>

Q: In the IBR plan example on slide 17, would the single borrower pay less over a repayment term of 25 years under IBR rather than a 10-year repayment term under a standard plan?

A: Not necessarily. To qualify for IBR, a borrower must initially have a PFH. When the borrower has a PFH; the monthly payment for that 12 month period is (15% of the difference between the borrower's AGI and 150% of the poverty line for the borrower's house hold size) divided by 12.

While this calculation yields a smaller monthly payment in comparison to a monthly payment under a standard repayment plan as noted on slide 17, lower payments under IBR will generally result in the borrower taking longer than 10 years to repay his loans. Further, the IBR payment amount may vary from year to year given the borrower's financial status. However, if the repayment term is extended, the overall cost of the loan increases due to interest accrued, as noted on slide 31 entitled *IBR considerations for borrowers*.

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Q: For a married borrower who files separately, is the family household size for that borrower limited to the borrower and only the children claimed on IRS 1040?

A: The household size is not based on the number of exemptions claimed on the federal income tax form. For purposes of the IBR plan, the household size is determined by counting the borrower, the borrower's spouse, if applicable, and the borrower's children, including unborn children who will be born during the year the borrower certifies the family size, if the children receive more than half their support from the borrower.

A borrower's family size may also include other individuals if those individuals live with the borrower and receive more than half their support from the borrower and will continue to do so for the year the borrower certifies the family size.

Support includes money, gifts, loans, housing, food clothes, car, medical and dental care, and payment of college costs.

Q: Will IBR be available for parents with parent plus loans?

A: A parent plus loan is not considered an eligible loan for IBR. However, if the parent has student loans that are eligible for IBR; the parent could request to repay those eligible loans under an IBR plan.