



Questions and answers from TG's webinar *IBR Basics* held on August 20, 2009

(Recording available to view at
<http://www.tgslc.org/training/webinars/industry082009.cfm>)

Q: If a student is not working this year but in the previous year he was working, how will the student qualify for the IBR plan?

A: If a borrower's adjusted gross income (AGI), as reported on his most recently filed federal tax return, does not reasonably reflect his current income, the borrower can submit to the lender the Income-Based Repayment (IBR) Plan Alternative Documentation of Income form, with the required taxable income documentation. This form can be accessed on TG's corporate Web site at the following url:

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

Q: If a borrower submits documentation that shows she no longer has a partial financial hardship, can she still elect to remain in the IBR plan?

A: Yes. A borrower must have a partial financial hardship to qualify initially for the IBR plan. However, a borrower who ceases to have a partial financial hardship in subsequent years may remain in the IBR plan.

Q: For documentation purposes, a borrower can provide a lender with a copy of the first two pages of the federal tax return (IRS Form 1040) in order to verify the borrower's AGI. Must the return have a "wet" signature? How does one handle a case where the borrower files a return electronically?

A: ED originally provided guidance on alternative documentation of a borrower's income for the purpose of determining eligibility for IBR. This guidance permitted the lender or loan holder to accept, in lieu of the IRS Form 4506-T, a copy (including both sides) of the borrower's most recent federal tax return (Form 1040, 1040A, or 1040EZ), with an original "pen and ink" signature on the copy.

However, based on subsequent guidance ED provided to the Team FFEL IBR Workgroup, a loan holder is permitted to accept a copy of the borrower's tax return form that includes a copied signature; in other words, an original 'pen and ink' is not required. This change will also allow the borrower to submit the return either by FAX or by emailing a scanned copy of the return.

For a borrower who electronically submits his federal tax return to the IRS, the borrower must provide the loan holder with a copy of the tax return that includes the borrower's signature.

More information about this guidance can be found in Edition 510 of TG's *Shoptalk Online*. This issue can be accessed at the following url:

<http://www.tgslc.org/shoptalk/2009/st510/st51000.cfm>

Q: Under IBR, do lenders have access to IRS records to confirm a borrower's annual income?

A: The borrower must provide consent to the loan holder to receive the borrower's tax transcript from the IRS. A borrower's completion of the IRS Form 4506-T provides the consent necessary for the loan holder to receive an IRS transcript for purposes of obtaining the borrower's AGI.

Questions and answers from TG's webinar *IBR Basics*

held on August 20, 2009

(Continued)

Q: Certain school districts offer benefits that help reduce borrowers' loan debt. Specifically, certain school districts make loan payments for eligible teachers who have student loans. Will entering an IBR plan negate such help for educators?

A: No. Selecting or changing loan repayment plans is generally independent of the administration of loan forgiveness offered by private organizations. In the instance described, a borrower's selection of an IBR plan is not likely to negate loan forgiveness eligibility offered by the school district.

Q: If the borrower's total loan debt qualifies for IBR, but the borrower has multiple lenders and servicers, how will his payments be calculated? Will it be based only on a servicer's loan balance or the total loan debt?

A: If the borrower has loans with multiple loan holders, the borrower must request the IBR plan with each loan holder. The total outstanding loan debt at the time the borrower first entered repayment is used to determine whether the borrower has a partial financial hardship (PFH), which is required to qualify initially for the IBR plan. If the borrower qualifies for the IBR plan, the borrower's total calculated monthly payment amount due will be based on a prorated percentage of loans held by each loan holder.

For example, let's say that a borrower's monthly payment amount under the IBR plan is calculated at \$170, and the borrower has an equal amount of loans held by two loan holders. In this example, the borrower would be scheduled to pay \$85 to holder A, and \$85 to holder B which equals the calculated monthly amount due of \$170.

Q: Will the loan holder look at real income or income that has been adjusted by offsets under tax laws?

A: The borrower's AGI as reported on the federal tax return will be used to determine eligibility for the IBR plan. A borrower's completion of the IRS Form 4506-T provides the consent necessary for the loan holder to receive an IRS transcript for purposes of obtaining the borrower's AGI.

Q: Can a borrower under an IBR plan continue to request deferments or forbearance? If yes, what are the time limits for them?

A: Yes. The availability of this new repayment plan does not impact or change a borrower's ability to request deferments or forbearance. Because time limits applicable to deferment and forbearance are unique and vary by type, it is easier to reference Figures 11-1 and 11-2 in the *Integrated Common Manual*. These figures contain both the eligibility criteria and time limits for both deferment and forbearance. The *Common Manual* can be downloaded from TG's Web site at the following url:

http://www.tgslc.org/policy/integrated_online_manual.cfm

Q: Is the IBR plan available to students who had loans prior to 2007?

A: Yes. The IBR plan became effective on July 1, 2009, and is available to all students who have eligible FFEL or Direct loans in repayment on or after that date.

Q: Can you explain more about when interest on subsidized loans might be subsidized under IBR?

A: If a borrower's monthly payment under IBR does not cover the accrued interest on his loans, ED will pay the calculated accrued interest on subsidized loans or the subsidized portion of the borrower's Federal

Questions and answers from TG's webinar *IBR Basics*

held on August 20, 2009

(Continued)

Consolidation loan during the first three years in the IBR plan. After three years, and for all other loan types, the interest will continue to accrue, and in some instances be capitalized.

Q: For FFEL loans that have been "PUT" to ED under the ECASLA programs, can a borrower apply for an IBR plan with ED?

A: Yes. The borrower must request an IBR plan with the loan holder. In this instance, ED is the loan holder. More information about FFEL loans that have been "PUT" to ED can be found at the following url:

<http://www.ed-servicing.com>