

# FIRST

for Medical Education  
Financial Information, Resources, Services, and Tools



## Income-Based Repayment

*This repayment plan for repaying federal student loans may be especially appealing to students with high debt and low earnings as payments are kept affordable through "caps" based on income and family size.*

### How Does it Work?

- The IBR program "caps" loan payments at 15% of your household income that exceeds 150% of the federal poverty guideline for your family size. For an example, see box at right. Note: Married borrowers who file joint federal income tax returns will use combined income in this calculation.
- A borrower can choose to participate in this payment plan for up to 25 years.

**After 25 years of qualifying payments, any remaining debt will be forgiven. However, note that any amount forgiven will be taxable.**

### Who Can Use IBR?

- Student loan borrowers can utilize the IBR payment plan for most types of federal student loans.
- If the annual household income increases, the maximum monthly payment amount cannot exceed the monthly amount for a standard 10-year repayment plan.
- The IBR repayment plan offers student loan borrowers with high debt a way to make their federal student loan payments more affordable (in relation to their income).

### What is the Payment Amount?

To help determine your monthly payment under IBR, use the *new* IBR Calculator found at [www.IBRinfo.org](http://www.IBRinfo.org).

### Which Loans Qualify for IBR?

The following loans qualify for the IBR repayment plan:

- **Subsidized and unsubsidized Stafford Loans (either Direct or FFELP)**
- **Grad PLUS loans (but not Parent PLUS loans)**
- **Federal Consolidation Loans.**
- **Perkins and LDS loans ONLY if part of a federal Consolidation loan.**

Additional information is available at the U.S. Department of Education website.

### Who is Eligible?

- You may choose IBR if your federal student debt is high relative to your adjusted gross income and family size.
- You must submit income and family size documentation annually for recalculation of eligibility.
- Your lender will calculate your eligibility.

### How to Apply?

Contact your lender(s) or loan servicer(s) to apply.

#### Example:

Family Size: 1 (Single)	
150% of 2009 Poverty Guideline: (for family size of 1)	\$1,354
Income: \$47,166 (mean PGY1 stipend)	
Monthly gross income	\$3,931
Minus 150% of poverty line	- \$1,354
	= \$2,577
15% of difference	x .15
<b>Monthly loan payment</b>	<b>\$ 387</b>

#### How is Interest Treated in IBR?

It is possible that your payments in IBR will not be sufficient to cover the interest. In that instance, the government will pay the remaining interest on Subsidized Stafford loans for the first three years. After that, and for all other loans, interest will accrue until it is paid or until the remaining balance is forgiven after 25 years of qualifying payments.