



**Student Loan  
Borrower Assistance**  
National Consumer Law Center

# **Know Your Loans Part III:**

*Lower Your Payments & Get Closer to  
Student Loan Cancellation with  
Income-Driven Repayment*

# We'll talk about:

- Income-Driven Repayment (IDR) Plans
- Consolidating Your Loans To Have One Servicer or Get Into A Better IDR Plan
- The Payment Count Adjustment That's Getting Millions Closer to Cancellation





# **Income-Driven Repayment Plans**

# Making Payments More Affordable: IDR Plans

## Income-Driven Repayment Plans, or IDR Plans:

- These plans calculate your monthly bill based on a **percentage of your income** (not your loan balance)
- After 20 or 25 years of repayment\* (depending on your plan and loan type), your loans will be cancelled

# Types of IDR Plans

## Income-Driven Repayment Plans, or IDR Plans:

- There are multiple plans available, and they vary based on your loan type, loan disbursement date, and what you borrowed your loans for.
- The most common plans are: SAVE (previously REPAYE), PAYE, IBR, ICR

# SAVE

## Saving on a Valuable Education (SAVE)

- Replaces the REPAYE plan
- Payments will be capped between 5% and 10% of your income (lower payment rate will begin in July 2024).
- Interest that is not covered by your payment will be waived—meaning your loan balance won't grow!
- All Direct Loans are eligible, except Parent PLUS Loans and Consolidation loans that repaid Parent PLUS Loans
- Cancellation after 20-25 years for all borrowers

*Beginning in July 2024, borrowers who borrowed \$12,000 or less in principal will receive cancellation at 10 years!*

# PAYE

## Pay As You Earn (PAYE)

- Payments capped at 10% of income
- Only Direct Loans taken out by certain borrowers are eligible\*, and Parent PLUS loans and Consolidation loans that repaid Parent PLUS Loans are ineligible
- Cancellation after 20 years

# IBR

## Income Based Repayment (IBR)

- Payments capped at 10-15% of income
- Most Direct and FFEL Loans are eligible\* (except Parent PLUS Loans and Consolidation loans that repaid Parent PLUS Loans)
- Cancellation after 20-25 years



# ICR

## Income Contingent Repayment (ICR)

- Payments capped at 20% of income
- All Direct Loans are eligible (Parent PLUS Loans are eligible if they are consolidated into a Direct Consolidation Loan)
- Cancellation after 25 years

# Benefits of the new SAVE plan

Compared to the other IDR plans, the SAVE plan will:

- Offer much lower monthly payments,\*
- Shorten the number of years **some** borrowers will need to make payments,
- Prevent balances from increasing while borrowers are making payments by cancelling interest not covered by monthly payment,\* and
- Spousal income won't count if borrower files taxes **separately** from spouse.\*
- *Under the SAVE plan, more low-income borrowers will be eligible for \$0 monthly payments.*

\*= getting implemented this summer

*Only Direct Loans are eligible -- Parent PLUS Loans are still not eligible for this plan.*

# Savings for a Sample Student Loan Borrower



## ALEXANDER

ANNUAL INCOME: \$38,000

LOAN BALANCE: \$25,000

INTEREST RATE: 5%  
on a Direct Subsidized Loan

Alexander is a borrower with no dependents and makes **\$38,000** a year. He would save **\$91** per month under the SAVE Plan.

**\$134**

Previous Monthly  
Payment Under REPAYE

**\$43**

New Monthly  
Payment Under SAVE

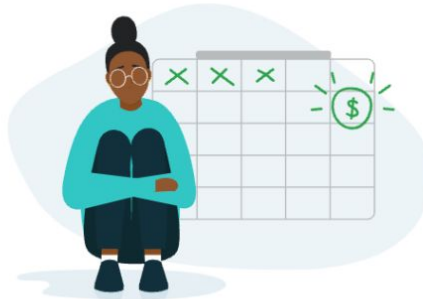
*Assumes family lives in contiguous 48 states. Estimates are for illustrative purposes only.  
Your loan servicer will calculate your actual monthly payment amount under the SAVE Plan.*

# Use the Loan Simulator tool to choose a payment plan



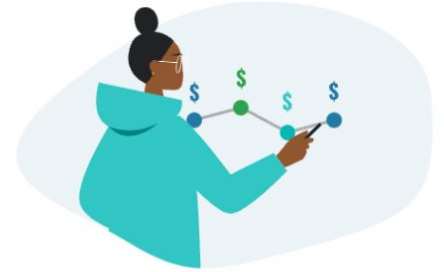
I Want to Find the Best Student Loan Repayment Strategy

[Log In and Start](#)



I'm Struggling With My Student Loan Payments

[Log In and Start](#)



I Want to Simulate Borrowing More

[Log In and Start](#)

# Recertifying IDR Plans

If you enroll in an IDR plan, you must recertify your income one time per year. However:

- You only need to recertify one time per year (no obligation to recertify if your income increases)

# Make Recertifying Automatic!

When you apply for an IDR plan on [studentaid.gov](https://studentaid.gov), the application will ask you for permission to automatically use your income from the IRS each year

→ *meaning you won't need to manually recertify (although you should check to make sure that your income has been correctly reported)*

# Parent PLUS Loans & IDR Plans

**Note:** Parent PLUS loans are not eligible for an IDR plan unless they are consolidated into a Direct Consolidation loan.

- Any Direct Consolidation Loan that contains a Parent PLUS loan is only eligible for the **Income Contingent Repayment Plan**, the least generous IDR plan.

# Sign up for autodebit so you don't forget payments!



Each of the student loan servicers allows you to select autodebit so that your student loan payment is automatically deducted from your bank account.

You'll get a .25% reduction of your interest rate if you sign up for autodebt!



# A Note On Loan Servicers:

If you have loans from different school enrollments, or you have loans from your own education and a Parent PLUS loan, you may have different loan servicers.

→ *Find your loan servicers on your [studentaid.gov](https://studentaid.gov) account!*

# Consolidating to make repayment easier

If you have different types of student loans with different loan servicers, you might consider consolidating them into a single or multiple federal consolidation loans.

- When you consolidate your loans, the application will ask you which servicer you want to choose
- You can apply to consolidate your loans on [studentaid.gov](https://studentaid.gov)

# A note on consolidating federal student loans

Consolidation means that you take off a new federal student loan to pay off existing student loans.

This means:

- The new loan's principal will include the interest that accrued on the prior loans
- The new loan's interest will be a weighted average of the consolidated loans
- For a small number of borrowers, consolidation may change the regulations that govern an application for borrower defense discharges, a form of statutory relief

# A note on consolidating federal student loans

Consolidation means that you take off a new federal student loan to pay off existing student loans.

This means:

- You can only consolidate a federal loan **once!**
- Consolidation is one of the limited ways out of default, so after you consolidate you must stay on top of your payments

# A note on consolidating federal student loans

It's important to remember:

If you consolidate before  
December 31, 2023, you will  
not lose qualifying time  
towards IDR or PSLF  
cancellation on your loans





**Other student loan  
help and relief**



## Biden-Harris Administration to Provide 804,000 Borrowers with \$39 Billion in Automatic Loan Forgiveness as a Result of Fixes to Income Driven Repayment Plans

401-1576, [press@ed.gov](mailto:press@ed.gov)

The U.S. Department of Education (Department) today will begin notifying more than 804,000 borrowers that they have a total of \$39 billion in student loan forgiveness that will be automatically discharged in the coming weeks. In total, the Biden-Harris Administration has provided \$39 billion in student loan forgiveness for more than 3.4 million borrowers.

The discharges are a result of fixes implemented by the Biden-Harris Administration to ensure all borrowers have an affordable number of monthly payments that qualify toward forgiveness under income-driven repayment (IDR) plans. This is part of the Department's commitment to address historical failures in the administration of the Federal student loan

What's  
this?

# The One-Time Payment Count Adjustment





# How did this come about?

In 2022, 4.4 million people had been in repayment for 20+ years, but only 32 people received IDR cancellation.

Why did this happen?

- Servicers failing to tell borrowers in distress about IDR plans
- Servicers not giving borrowers accurate information
- Inaccurate denials and paperwork processing errors
- Recordkeeping errors

In light of these issues, the Department of Education decided to recalculate almost all borrowers' payment histories (aka the payment count adjustment).

# How does the payment count adjustment work?

Borrowers with any loans held by the Department of Education will now get credit for all time in repayment and even some time in deferment or forbearance toward IDR cancellation.

- This is true even for borrowers whose loans have never been in an IDR plan.
- You will also get credit for the qualifying time on loans that were consolidated into a new consolidation loan.
- However, **time in default, in an in-school deferment, or in a post-school 6 month grace period still won't count**, even under the payment count adjustment.

# Plus...

Time that counts towards IDR forgiveness will also count towards Public Service Loan Forgiveness (PSLF) cancellation if the borrower had qualifying employment.

# Public Service Loan Forgiveness

Time that counts towards IDR forgiveness will also count towards Public Service Loan Forgiveness (PSLF) cancellation if the borrower had qualifying employment.

*Note:* PSLF Cancellation= 10 years of Repayment on loans + same 10 years of qualifying public service employment + qualifying loans (Direct Loans\*)+ still working in public service

# How does the payment count adjustment work?

## Individual loans will reach cancellation:

- Based on the terms of the IDR plan you enrolled in
- If you aren't enrolled in an IDR plan:
  - 20 years of repayment if you only borrowed loans for your undergraduate education
  - 25 years of repayment if you borrowed any loans for your graduate education
  - 25 years for Parent PLUS loans

# What do borrowers need to do to get credit?

Most borrowers will get this credit automatically and will begin to see their accounts being adjusted over the next year. However,

- If you have loans that are not held by the Department of Education, such as FFEL or Perkins loans, or have HEAL loans, **you have to consolidate those loans by December 31, 2023** to make sure these loans benefit from the payment count adjustment.
- If you have loans with different amounts of time in repayment, you can consolidate them so that the Direct Consolidation loan is credited with the time that accrued on the loans before consolidation.

# What about Parent PLUS borrowers?

Parent PLUS Loans will receive credit toward IDR cancellation under the payment count adjustment even if they have not yet been consolidated.

- But to keep earning credit toward IDR loan forgiveness, you need to consolidate Parent PLUS Loans into a new Direct Consolidation Loan and then sign up for an **Income-Contingent Repayment (ICR) plan**.

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- But to keep earning credit toward IDR loan forgiveness, you need to consolidate Parent PLUS Loans into a new Direct Consolidation Loan and then sign up for an **Income-Contingent Repayment (ICR) plan**.

**Note:** Again, Parent PLUS loans are not eligible for IDR plans unless they are consolidated.

Any Direct Consolidation Loan containing a Parent PLUS loan is only eligible for Income Contingent Repayment (ICR), the least generous IDR plan.

Direct Parent PLUS loans *are* eligible for Public Service Loan Forgiveness (PSLF), but tough to get there without an IDR plan





**Feeling  
overwhelmed?**



## Student Loan Basics

- What's next after Court strikes down debt relief? →
- Learn more about student loans →
- Find your student loan info →
- Help with repayment →
- Stop collections and get out of default →
- Cancellation and other relief →
- Get more help →
- President Biden's debt cancellation plan →
- Returning to school in September →

Find more information at:  
[studentloanborrowerassistance.org](https://studentloanborrowerassistance.org)



## Latest News

Pres. Biden Announces New Student Debt Relief Effort After Court's Decision

**Questions?**