

Repayment Plan Choices

William D. Ford Federal Direct Loan Program
**Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans,
 Federal Direct PLUS Loans, Federal Direct Consolidation Loans**

The William D. Ford Federal Direct Loan (Direct Loan) Program offers four repayment plans so you can choose the one that is right for you. This document was designed to help you understand the differences among the four plans, which are:

- **Standard Repayment Plan**
- **Graduated Repayment Plan**
- **Extended Repayment Plan**
- **Income Contingent Repayment Plan**

For each plan: (1) The "Repayment Period" excludes periods of deferment and forbearance, (2) You can prepay your loan any time without a penalty, and (3) Your monthly payment will be adjusted annually to reflect changes in the variable interest rate. (For Standard, Extended, and Graduated Plans, you can request the maximum number of monthly payments be extended rather than pay a higher amount.)

If you do not select a repayment plan, you will be assigned the Standard Repayment Plan.

If you are unsure which repayment plan to choose, or if you have any questions or concerns, please call the Direct Loan Servicing Center at 1-888-4474460 for assistance.

STANDARD REPAYMENT PLAN

Minimum Monthly Payment **\$50.00**
Maximum Repayment Period **10 years**

Under the Standard Repayment Plan, each of your monthly payments will be at least \$50.00, and may be more if necessary to repay the loan within 10 years (excluding periods of deferment and forbearance). For small loan amounts, the number of monthly payments can be less than 120 (10 years). The repayment period under the Standard Repayment Plan is generally shorter than under any other plan. In general, the shorter the repayment period, the lower the total interest repaid. For this reason, choosing the Standard Repayment Plan may result in the lowest total repayment amount over the life of the loan.

EXTENDED REPAYMENT PLAN

Minimum Monthly Payment **\$50.00**
Repayment Period **12 - 30 years**

Under the Extended Repayment Plan, the minimum payment amount is \$50.00, and may be more if necessary to pay off your loan in the maximum number of repayment years. The repayment period generally varies from 12 - 30 years according to the loan amount. The higher the loan amount, the longer the repayment period will be. Because the repayment period is generally longer than 10 years, the monthly payment amount will usually be lower than under the Standard Repayment Plan. However, the total repayment amount will usually be more, because you will pay more interest over the life of the loan.

GRADUATED REPAYMENT PLAN

Minimum Monthly Payment **\$25.00**
Repayment Period **12 - 30 years**

Under the Graduated Repayment Plan, the payments start out low and increase. In general, payments will increase every two years. The repayment period generally varies from 12 - 30 years, depending on the

total amount borrowed. Your starting monthly payment amount will be the larger of the following two calculations:

1. 50 percent of the amount that would be required under the Standard Repayment Plan, or
2. the amount of interest that accrues monthly on the loan.

Generally, the amount you will repay over the term of your loan will be higher under the Graduated Repayment Plan than under the Standard or Extended Repayment Plans. However, the Graduated Repayment Plan has the advantage of offering lower payments early in your career while your income is lower. The maximum monthly payment will never be more than 150 percent of the amount required under the Standard Repayment Plan.

Loan Amounts and Maximum Number of Monthly Payments for the Extended and Graduated Repayment Plans

Loan Amount		Maximum Number of Monthly Payments
At Least	Less Than	
\$ 0	\$10,000	144 (12 years)
\$10,000	\$20,000	180 (15 years)
\$20,000	\$40,000	240 (20 years)
\$40,000	\$60,000	300 (25 years)
\$60,000		360 (30 years)

INCOME CONTINGENT REPAYMENT PLAN

Minimum Monthly Payment **\$ 0 or \$5.00**
Maximum Repayment Period **25 years**

This Income Contingent Repayment (ICR) Plan is effective for borrowers entering the Income Contingent Repayment Plan on or after July 1, 1996.

Repayment Plan Choices *(continued)*

Under this plan the payment amount is based upon your income. The monthly payment amount will be the lesser of the following two calculations:

1. the amount you would pay if you repaid your loan in 12 years, multiplied by an income percentage factor (ranging from approximately 55 percent to 200 percent) that varies with your annual income, or
2. 20 percent of your monthly discretionary income. Discretionary income is your federal Adjusted Gross Income (AGI) minus the poverty level for your family size.

If you are married, both your AGI and your spouse's AGI will be used to calculate your monthly repayment amount, even if you file your income taxes separately from your spouse.

If your calculated monthly payment is between \$ 0 and \$ 5.00, you will be required to make a \$5.00 monthly payment. If your income is less than or equal to the poverty level for your family size, your payment will be \$0. In the event that your payment amount is less than the amount of interest accruing on your loan, the interest will be added to your loan principal (capitalized) once a year until the principal balance is 10 percent higher than the original balance. After this occurs, interest will continue to accrue but will not be added to the principal balance.

Under this plan, it is possible you will not make payments large enough to pay off your loans in 25 years. If loans are not fully repaid after 25 years of repayment-excluding periods in deferment, forbearance, the Graduated and/or 15 to 30-year Extended Plans-any unpaid amount will be canceled and considered taxable income.

Your repayment amount is adjusted annually. It will be higher when your income is higher, and lower when your income is lower.

If you select the Income Contingent Repayment Plan, we will:

1. require you to submit documentation of current income (yours and your spouse's) in the first year of repayment. You may be required to submit documentation of current income (yours and your spouse's) in your second year of repayment as well,
2. forward you a form that authorizes the Internal Revenue Service (IRS) to provide income information (yours and your spouse's) to the U.S.

Department of Education. You must sign this form and return it to us. The AGI from the IRS will be used to calculate your monthly repayment amount in years subsequent to the year(s) in which alternative documentation is required.

In special circumstances when your federal tax return does not reflect your present income (for example, due to loss of employment), you may submit documentation of your current income. Your monthly payment will be based on this documented income information.

Federal Direct PLUS Loans may not be repaid under the ICR Plan.

CHANGING REPAYMENT PLANS

During your repayment period, you may experience significant changes in your financial circumstances. You may change jobs, receive salary increases, or choose work that provides less income than you anticipated when you selected your repayment plan. If you want to change your repayment plan to adjust to changing circumstances, your repayment period for your new plan must be longer than your loans have already been in repayment. For example, you can change from the Extended Plan to the Standard Plan only if you have been in the Extended Plan less than 10 years. The term of your loan will equal your new repayment plan's maximum repayment period minus time spent in previous repayment plans. If you are switching to the ICR Plan, periods of repayment in the Graduated and 15 to 30-year Extended Plans do not count toward your 25-year maximum term. There is no limit to the number of times you may change plans. But, if you are required to repay a Direct Consolidation Loan under the ICR Plan due to a previously defaulted loan, you must make three consecutive monthly payments before you can change to another plan.

LOAN CONSOLIDATION

If you have more than one student loan (including other federal education loans), it may be to your advantage to consolidate your loans into a single Direct Consolidation Loan. This may allow you to extend your repayment term, reduce your monthly payment amount, and make a single monthly payment. If you are interested in a Direct Consolidation Loan, contact the Consolidation Department of the Loan Origination Center at **1-888-447-4760**. The TDD number for the hearing impaired is **1-800-557-7395**.

Typical Beginning Payments for Direct Loan Repayment Plans

Total Debt When Borrower Enters Repayment	Monthly and Total Payments Under Different Repayment Plans							
	Standard		Extended		Graduated		Income Contingent	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$ 2,500	\$ 50	\$ 3,074	\$ 50	\$ 3,074	\$ 25	\$ 4,029	\$ 23	\$ 4,462
5,000	61	7,359	55	7,893	32	8,655	46	8,925
7,500	92	11,039	82	11,839	53	12,982	69	13,387
10,000	123	14,718	97	17,463	70	19,085	92	17,850
15,000	184	22,077	146	26,194	105	28,628	137	26,775

Notes: Payments are calculated using the maximum interest rate of 8.25%.

The Income Contingent payment is based on annual income of \$25,000 for a single borrower with no dependents.

The Income Contingent Repayment Plan assumes a 5% annual income growth (Census Bureau).