

## Pay As You Earn and Income-Based Repayment Fact Sheet

### What is Income-Based Repayment?

Income-Based Repayment is an approach to repaying student loans designed to keep a borrower’s monthly payments affordable by taking income and family size into account. Monthly payments are adjusted each year based on changes to annual income and family size and are usually lower than under other plans.

### What is Pay As You Earn?

Pay As You Earn (PAYE) is a specific income-based repayment plan under the Federal Direct Loan program.

### Similarities and Difference between PAYE and Income Based Repayment (IBR)

PAYE and IBR	
<ul style="list-style-type: none"> <li>• Payments are based on income and family size.</li> <li>• Monthly payments are less than the standard 10-year repayment plan.</li> <li>• If a Direct Loan, the loan can be forgiven after 10 years if the borrower is a full-time employee for government agency or a not-for-profit organization, or is performing certain public services, as long as the employing organization is not a labor union or a partisan political organization.</li> <li>• Student loans distributed to parents as well as private education loans are not eligible.</li> </ul>	
PAYE Only	IBR Only
<input type="checkbox"/> Only Direct Loans made to students are eligible.	<input type="checkbox"/> Direct Loans and Federal Family Education Loans (FFEL) made to students are eligible.
<input type="checkbox"/> Maximum monthly payment is 10 percent of discretionary income.	<input type="checkbox"/> Maximum monthly payment is 15 percent of discretionary income.
<input type="checkbox"/> Loans are forgiven in 20 years for borrowers not employed by public service organizations.	<input type="checkbox"/> Loans are forgiven in 25 years for borrowers not employed by public service organizations.

### Which loans are eligible for PAYE and IBR?

PAYE	IBR
<input type="checkbox"/> Direct subsidized and unsubsidized loans <input type="checkbox"/> Direct PLUS Loans made to graduate or professional students <input type="checkbox"/> Direct Consolidation Loans without underlying parent PLUS loans	<input type="checkbox"/> Direct and FFEL subsidized and unsubsidized loans <input type="checkbox"/> Direct and FFEL PLUS Loans made to graduate or professional students <input type="checkbox"/> Direct and FFEL Consolidation Loans without underlying parent PLUS loans

### How can I qualify for Pay As You Earn and Income-Based Repayment?

1. You had no outstanding balance on a Federal Direct Loan or a Federal Family Education Loan (FFEL) on October 1, 2007 **AND took a new loan on or after October 1, 2011.**
2. Your federal student Direct loan debt must be high relative to your income.
  - Use the **Department of Education's calculator at [studentaid.gov/PayAsYouEarn](http://studentaid.gov/PayAsYouEarn)** to see if you qualify.
    - The calculator considers your **family size, income, and state of residence** to find your new monthly payment under PAYE.

### How can I qualify for Income-Based Repayment?

1. You do not qualify for PAYE.
2. Your federal student Direct and FFEL loan debt must be high relative to your income.
  - Use the **Department of Education's calculator at [studentaid.ed.gov/repay-loans/understand/plans/income-based/calculator](http://studentaid.ed.gov/repay-loans/understand/plans/income-based/calculator)** to see if you qualify.
    - The calculator considers your **family size, income, and state of residence** to find your new monthly payment under IBR.

### Things to keep in mind:

- **YOU MAY PAY MORE INTEREST:** At any given interest rate, the faster you pay your loans, the less you pay interest. Because PAYE and IBR may extend your repayment period, you may pay more total interest on the loan.
- **YOU MUST SUBMIT ANNUAL DOCUMENTATION:** To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not submit your documentation, you'll pay the amount you would be required under a 10-year standard plan

### How to Enroll in PAYE or IBR:

For more information and to enroll in PAYE or IBR, contact the servicer of your student loan. If you're not sure who your servicer is, check: [www.nsls.ed.gov](http://www.nsls.ed.gov).

#### Sources:

Federal Student Aid: Pay As You Earn Repayment plan for the Direct Loan Program  
<http://studentaid.ed.gov/sites/default/files/pay-as-you-earn.pdf>

Federal Student Aid: Income-Based Repayment Plan for Direct Loan and FFEL Programs  
<http://studentaid.ed.gov/sites/default/files/income-based-repayment.pdf>