

## Repayment plans

The Direct Loan Program offers loan repayment plans designed to meet the needs of almost every borrower. Direct Loans are funded by the U.S. Department of Education through your school and are managed by the Direct Loan Servicing Center, under the supervision of the Department. The Direct Loan Program allows you to choose your repayment plan and to switch your plan if your needs change.



To find out more about repayment options before receiving a Direct Loan, borrowers may contact their school's financial aid office or the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243). If you currently have a Direct Loan and would like the exact payment amount on your loan, you can find it out online at the website for the [Direct Loan Servicing Center](#) or you can call the center at 1-888-447-4460.

Direct PLUS Loan borrowers may only choose from the standard, extended, or graduated options. However, beginning July 1, 2009, student Direct PLUS Loan borrowers may choose the income contingent repayment plan or the income-based repayment plan.

### Standard Repayment

With the standard plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you'll have up to 10 years to repay your loans.

The standard plan is good for you if you can handle higher monthly payments because you'll repay your loans more quickly. Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For the same reason - the 10-year limit on repayment - you may pay the least interest.

### Extended Repayment

To be eligible for the extended plan, you must have more than \$30,000 in Direct Loan debt, but you have 25 years to repay it. Under the extended plan you have two options: for fixed or graduated payments. Fixed payments are the same amount each month you are in repayment, as with the standard plan, while graduated payments start low and increase every two years, as with the graduated plan below.

This is a good plan if you will need to make smaller monthly payments. Because the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you may pay more in interest because you're taking longer to repay the loans. **Remember that the longer your loans are in repayment, the more interest you will pay.**

### Graduated Repayment

With this plan your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

### Income Contingent Repayment

(not available for parent PLUS loans)

This plan gives you the flexibility to meet your Direct Loan obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:

1. the amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income, or
2. 20% of your monthly discretionary income\*.

If your payments are not large enough to cover the interest that has accumulated on your loans, the unpaid amount will be capitalized once each year. However, capitalization will not exceed 10 percent of the original amount you owed when you entered repayment. Interest will continue to accumulate but will no longer be capitalized.

The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.

### **Income-based Repayment**

Under this plan the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a specified period of time, you may qualify for cancellation of any outstanding balance of your loans.

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\*Monthly discretionary income equals your AGI minus the poverty level for your state of residence and family size, divided by 12. For the current poverty level, see the [Poverty Guidelines Chart](#), which is issued annually by the U.S. Department of Health and Human Services.