Comparing Federal Loan Repayment Plans

The information contained on this document is subject to change and therefore should serve only as general information for further investigation and study of the various repayment plans and incentives. Additional information is available from the Department of Education at http://studentaid.ed.gov or from your federal loan servicer.

Repayment Plan	Advantages	Considerations	Who This Plan Works For
Standard	The standard plan allows you to pay off your loan within 10 years and have the same payment over the life of the loan. The minimum monthly payment is at least $50 (depending on your loan balance).	You will automatically be placed on the standard repayment plan unless you decide to choose another plan.	This plan is good for someone who has a steady monthly income and can afford the standard payment.
Graduated	The graduated plan allows you to have a smaller monthly payment in the beginning and gradually increase your payment. Some graduated plans increase every two years, but the structure varies among servicers. Your monthly payment won't be less than the interest that accrues.	Even though your payments are low to start with, your loan term is still ten years. Your loan payments will be higher near the end of your term. You will pay more in interest over the life of the loan compared to a ten year standard repayment plan.	This plan may work well for someone who has cash flow problems early on but expects their income will increase steadily over time.
Income-Based	This repayment plan offers you reduced monthly payments if you demonstrate a partial financial hardship (based on your loan debt, income, and family size). At the end of 25 years of repayment and 300 payments, any remaining balance may be forgiven.	To qualify for income-based repayment (IBR), you need to show you have a high amount of debt relative to your income. To apply for IBR, you need to submit a signed tax return, IRS consent form, paycheck stubs, or W-2s. Each year your payment may be adjusted based on changes in income and family size. Your payment will never be more than the standard 10-year payment amount unless you choose to leave the IBR program. In general, when a lender forgives a borrower's debt, the amount of the cancelled debt is income that is taxable to the borrower.	This plan is good for someone with lower earnings who is looking for an affordable payment based on their income and family size. Eligible loans include Grad PLUS.
Income-Sensitive (For FFELP loans only)	The income-sensitive plan allows your payments to fluctuate with your income over a period of 10 years. Your payments start low and increase as your income increases.	You will need to reapply for this plan each year by providing your current year's income tax return or W-2 statements. Adjustments will be made to reflect your current income. For each year your monthly payments are reduced, your monthly payments for the remaining years will increase proportionately.	This plan may work well for someone with FFELP loans who want their payment to fluctuate with their income but still pay their loan off in 10 years. Note: The Federal Family Education Loan Program (FFELP) was discontinued June 30, 2010.
Income-Contingent (For Federal Direct loans only)	The income-contingent plan bases your monthly payments on your income and family size. You pay 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 take-home pay—your adjusted gross income minus the poverty level for your state and family size divided by 12.	The maximum repayment term is 25 years. If you haven't fully repaid your loans after 25 years, the unpaid portion may be forgiven. If your payments aren't large enough to cover the interest that has accumulated on your loans, the unpaid amount will be capitalized each year.	This plan is good for someone with Federal Direct loans who does not qualify for IBR but still wants their payment to fluctuate with their income.
Extended	Extended repayment allows you to stretch your payments out over 25 years, offering you a lower payment over a longer, period of time.	To qualify, you must have total outstanding principal and interest in federal loans that exceeds $30,000 disbursed on or after October 7, 1998. If you do, you may repay your loans based on a fixed or graduated payment schedule for up to 25 years. Remember that your payments will be lower, but you'll pay more in interest because you are taking longer to repay your loans.	This plan is good for someone with larger loan debt and needs a lower monthly payment but does not qualify for IBR.