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THE CHANGING FACE OF STUDENT LOAN SERVICING IN CALIFORNIA

BACKGROUND PAPER

INTRODUCTION

Large and growing student loan debt loads represent a challenging public policy issue on which many are focusing at both state and federal levels. The numbers are staggering. At the end of 2016, 44 million Americans owed over $1.3 trillion in outstanding student loans.[1] The average student loan debt burden carried by members of the Class of 2016: $37,200.[2] While most common among recent college graduates, student loan debt is held by every demographic.[3] In the last ten years, outstanding student loan debt in the United States has tripled, rising from $481 billion at the end of 2006 to its current level.[4] Over 11% of outstanding student loans are delinquent.[5]

On March 22nd, 2016, the California State Senate Banking and Financial Institutions Committee will focus on one element of the student loan policy challenge: loan repayment. While this Committee does not have jurisdiction over topics related to the causes of growing debt loads, it does have a role to play in helping ensure that borrowers not only understand the loan repayment and forgiveness options available to them, but are treated fairly and with respect by those who collect their payments from them.

During the March 22nd hearing, invited experts will introduce the many different types of student loans and student loan repayment options that exist, describe the rules that apply to student loan servicers (those who collect student loan repayments from borrowers), discuss the options available to student loan borrowers who are struggling to repay their loans, and explain the ramifications for those who default. Witnesses will also address the extent to which they believe existing servicing rules are adequate to protect the interests of borrowers, and how, if at all, those rules should be improved.

The remainder of this background paper provides a basic introduction to the issues that will be discussed during the informational hearing. Handouts and testimony provided by invited witnesses are expected to augment the information below.

THE COMPLEXITY OF THE PROBLEM

For historic reasons, outstanding student loan debt takes many forms. As is described below and summarized in Appendix A, the three main types of outstanding federal student loans (Direct, Family Education, and Perkins) include several different subtypes, depending on whether the borrower is a student or a parent; whether the borrower can prove financial need; whether the money is to be used for an undergraduate, graduate, or professional degree program; and when the loan is made. Private student loans contain even more variability than federal loans, because each private lender is able to offer its own individualized loan product. Generally speaking, each

[1] https://studentloanhero.com/student-loan-debt-statistics
[2] Ibid.
[3] https://www.newyorkfed.org/studentloandebt/index.html
[4] Ibid.
[5] https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q4.pdf. As noted by the New York Fed, this figure does not include loans that are currently in deferment, grace period, or forbearance; if those were included, the number would likely double.

different type of loan carries a different limit on the maximum amount that may be borrowed, a different interest rate, and a different loan length.

The wide array of student loan products can become quite confusing when the time comes to begin repaying those loans (see Appendix B). Some loans require borrowers to begin repayment immediately; others allow borrowers to wait for specified periods of time before repayment must begin. Some loans offer their borrowers income-based repayment plans (of which there are multiple options); others do not. Some student loan debt is eligible for forgiveness after a period of time, if certain conditions are met; other loan debt is not. Some student loans can be consolidated without resulting in the loss of a borrower's eligibility for flexible repayment options; consolidation of other types of loans can render borrowers ineligible for certain repayment plans.

Adding additional complexity, the entities responsible for collecting payments from borrowers with outstanding student loan debt (student loan servicers) are seldom the entities which developed the rules governing loan repayment. While private student lenders determine which rules apply to the repayment of the private student loans they extend, the vast majority of outstanding student loan debt is federal and is governed by federal law and regulation.

Not surprisingly, given the enormous complexity of student loans in general and student loan repayment rules in particular, complaints are common among borrowers. Both the federal government and some states, including California, have stepped in with the goal of improving borrower outcomes, but efforts to reform student loan servicing rules and improve outcomes are still in their infancy.

VOLUME OF OUTSTANDING STUDENT LOAN DEBT

Second only to mortgages, outstanding student loans are the second largest component of United States household debt.[6] According to the Federal Reserve Bank of New York, more than 44 million Americans collectively owed more than $1.3 trillion in outstanding student loan debt as of December 31, 2016. Approximately 92% of outstanding student loan debt is federal, while 8% is private.[7]

There are four main types of postsecondary education loans under which borrowers have outstanding balances (see Appendix A):[8 9]

1) Direct Loans are federal loans made directly to borrowers by the United States Department of Education (USDOE) through the William D. Ford Federal Direct Loan program. Approximately 31.5 million borrowers held approximately $949 billion in Direct Loans at the end of 2016.

6 https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2016Q4.pdf
7 https://www.measureone.com/psl.php
8 https://studentaid.ed.gov/sa/types/loans
9 https://studentloanhero.com/student-loan-debt-statistics/

2) Federal Family Education Loan Program (FFELP) loans were originated by private lenders and guaranteed by the federal government until 2010. Although new FFEL loan originations have ceased, a significant number of FFELP loans remain outstanding. Approximately 16 million borrowers held approximately $335 billion in FFEL loans at the end of 2016.

3) Federal Perkins Loans, which are co-funded by institutions of higher education and the federal government, are originated and administered by participating educational institutions. Approximately 3 million borrowers held approximately $8 billion in Perkins loans at the end of 2016.

4) Private student loans are made by depository and non-depository financial institutions, states, institutions of higher education, and other entities. Private student loan debt totaled approximately $103 billion at the end of the third quarter of 2016.[10]

WHO SERVICES STUDENT LOANS AND WHAT RULES ARE THEY REQUIRED TO FOLLOW WHEN DOING SO?

Federal Student Loans

Nine entities are currently authorized to service federal student loans, including CornerStone, FedLoan Servicing, Granite State-GSMR, Great Lakes Educational Loan Services, Inc., HESC/Edfinancial, MOHELA, Navient, Nelnet, and OSLA Servicing.[11]

Federal student loans are governed by Title IV of the Higher Education Act of 1965. Federal regulations applicable to the William D. Ford Federal Direct Loan Program are found in 34 CFR Part 685; those applicable to FFELP loans are found in 34 CFR Part 682; and those applicable to Perkins Loans are found in 34 CFR Part 674. Student loan servicers are also required to comply with the federal Fair Debt Collection Practices Act (FDCPA; 15 USC Section 1692 et seq.) and the Rosenthal Fair Debt Collection Practices Act (RFDCPA; California Civil Code Section 1788 et seq.).

The length of the rules cited immediately above precludes their addition to this background paper in an appendix. However, a thorough reading of these rules is unnecessary to realize that the regulations applicable to each of the three different types of federal student loans are each quite different from one another. Thus, a servicer which has different types of loans in its portfolio is required to adhere to different sets of rules for each of the different types of loans it services. Similarly, a borrower that holds more than one type of federal loan should expect his or her servicer(s) to follow different sets of rules when servicing those different types of loans.

The entities that service federal student loans do so pursuant to contracts with the USDOE. Those contracts lay out the expectations USDOE has of each servicer and also spell out servicer compensation rates. Servicer compensation is an issue likely to be raised during the March 22nd hearing, as some believe that misaligned compensation schedules may be partially to blame for

[10] https://www.measureone.com/psl.php
[11] https://studentaid.ed.gov/sa/repay-loans/understand/servicers

some of the servicing problems that have been documented.

The following table illustrates compensation rates paid by the federal government to federal student loan servicers under the Direct Loan program[12]. As shown below, servicers are compensated more for loans that are current than those that are delinquent. Although this rate schedule clearly rewards servicers whose borrowers are current, it may also carry perverse incentives; servicers receive *less* money to work with struggling borrowers, despite the fact that struggling borrowers require greater amounts of effort from servicers to remain current or cure early stage delinquencies. As discussed in greater detail on page 6 of this background paper, the Government Accountability Office (GAO) has also identified a misalignment between servicer compensation and desired outcomes and suggested that changes be implemented.

Borrower Status	**Amount Paid To Servicer Per Month**
In School	$1.05
In Grace Period	$1.68
In Repayment	$2.85
Service Member	$2.85
In Deferment	$1.68
In Forbearance	$1.05
Delinquent 6-30 Days	$2.11
Delinquent 31-90 Days	$1.46
Delinquent 91-150 Days	$1.35
Delinquent 151-270 Days	$1.23
Over 271 Days	$0.45

New Federal Student Loan Servicing Blueprint. On July 20, 2016, in an effort to simplify the servicing of Direct Loans, the USDOE issued a 56-page memorandum that described a detailed blueprint for the future of federal student loan servicing.[13] According to that blueprint, within the next two to three years, the USDOE envisions that all Direct Loans will be serviced from "a single servicing platform on which all borrower accounts held by USDOE will reside, and to which multiple customer service providers will have access...This new ecosystem will function in a manner that will clarify for borrowers that the USDOE is the servicer of their loan." Through a USDOE-branded portal, borrowers will be able to log onto a single website to get information about their Direct Loans, make payments, apply for benefits, and manage their accounts. Although the actual servicing of loans will continue to be performed by USDOE contractors, borrowers will not know the identities of these contractors, who will operate behind the USDOE curtain. Initially, the new portal is envisioned as covering all federal Direct Loans (which currently total about $950 billion). FFEL loans and Perkins loans, which together total approximately $350 billion, may be migrated to the portal over time.

[12] http://www.gao.gov/assets/680/677159.pdf, page 8.
[13] https://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf

The current status of the new federal servicing blueprint is currently unclear. Neither President Trump nor newly-confirmed Education Secretary Betsy DeVos have made any announcements about the future direction of federal student loan servicing. To date, USDOE has not entered into any contracts with private entities to design or implement the new servicing platform.

Private Student Loans

Generally speaking, borrowers take out private student loans when federal student loans are insufficient to meet their borrowing needs. A variety of institutions extend and service private student loans, including Citizens Bank, Discover, Navient, PNC Bank, SallieMae, Wells Fargo Bank, AES, ACS, Aspire, Nelnet, and several private educational institutions.[14] A different group of companies, including SoFi, Earnest, CommonBond, CollegeAve, LendKey, U-Fi, and others offer federal and private student loan borrowers the opportunity to refinance their outstanding student loans. Because private student loans tend to be more rigorously underwritten than federal loans, default rates on private student loans are lower. Although the overall delinquency rate on all student loans exceeds 11%, the delinquency rate for private student loans is under 5%.[15]

Entities servicing private student loans and federal loans that have been converted into private loans through refinancing are not subject to the federal loan servicing rules applicable to federal student loans. They are, however, subject to the FDCPA and RFDCPA and, as noted immediately below, may also be subject to California's new Student Loan Servicing Act.

CALIFORNIA STUDENT LOAN SERVICING ACT

A significant number of the entities that service federal and private student loans will be subject to California's Student Loan Servicing Act, once that law is operative, beginning July 1, 2018. That law (AB 2251, Stone, Chapter 824, Statutes of 2016) requires persons engaged in the business of servicing student loans in California, as defined, to obtain student loan servicing licenses from the California Department of Business Oversight (DBO) and to adhere to specified rules intended to protect student borrowers. Generally speaking, the borrower protections contained in the Student Loan Servicing Act are intended to ensure that borrowers are provided with information about loan repayment and loan forgiveness options, able to get errors on their accounts corrected by their servicers in a timely manner, do not experience negative credit score impacts while they are disputing payment processing errors with their servicers, and receive timely notification when the servicing of their loans is transferred.

During the March 22nd hearing, a representative from DBO will provide the Committee with a summary of the major requirements of and protections contained in the Student Loan Servicing Act, an estimate of how many entities are likely going to be required to obtain student loan servicing licenses in California, and a summary of the steps DBO will be taken to begin implementing that Act.

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14 https://www.measureone.com/psl.php
15 Id., page 1.

STUDENT LOAN BORROWER COMPLAINTS

Perhaps unsurprisingly, given the high degree of complexity surrounding student loan repayment rules, borrower confusion and complaints about their loans and their servicers are common.

Beginning in 2014, the federal Consumer Financial Protection Bureau (CFPB) began taking steps to document the complaints it had been receiving regarding student loans and student loan servicing, with an eye to developing regulations that would better protect borrowers. The CFPB's first report documenting problems within the student loan servicing industry, published in October, 2014, focused on the private student loan marketplace. In May, 2015, the CFPB joined with USDOE and the Department of the Treasury to launch a public inquiry into federal and private student loan servicing practices. That inquiry led to publication of a September, 2015 report by the CFPB titled, "Student Loan Servicing: Analysis of Public Input and Recommendations For Reform."[16] Analyzing over 30,000 comments, including over 8,000 comments from individual borrowers with outstanding student loans, the May, 2015 report identified a myriad of frustrations and challenges faced by student loan borrowers. Complaints centered around five specific areas, including borrower benefits and consumer protections; servicing transfers; customer service and error resolution; payment processing; and practices that affect specific borrower segments, such as military families and older borrowers.

As discussed in that report, borrowers complained they had trouble obtaining clear and timely information about the availability of and benefits associated with repayment plans for which they might be eligible; were not made aware of options that might be available to cancel or discharge their debt; received conflicting, inconsistent, or inaccurate information from servicer representatives; and encountered problems trying to get payments accurately applied to outstanding balances and get payment errors corrected in a timely manner.

The United States Government Accountability Office (GAO) has also documented problems in the student loan servicing realm, particularly involving the Direct Loan Program. In a report titled, "Federal Student Loans: Education Could Improve Direct Loan Program Customer Service and Oversight,"[17] the GAO found that the USDOE rewards servicers with additional loan assignments based on metrics that fail to align with USDOE's goals for customer service and program integrity. According to the GAO, "there may be a disincentive, in terms of lack of compensation, for servicers to counsel borrowers on debt relief programs that may benefit the borrower but necessitate loan transfer to a different servicer. Similarly, because no performance metrics relate to compliance with program requirements, servicers with more compliance errors experience no reduction in assigned loans, even as their borrowers may experience servicing problems...Unless Education [the USDOE] evaluates and better aligns its servicer performance metrics and compensation with strategic goals, borrowers will continue to be at risk for experiencing errors and poor customer service."

LOOKING TO THE FUTURE

As previously noted, the future of federal changes to student loan servicing is murky. No contracts have been signed to implement the new federal servicing blueprint announced by the

[16] http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf
[17] https://www.gao.gov/products/GAO-16-523

USDOE in July, 2016, nor have any modifications to servicer compensation schedules been announced. Furthermore, although it has done preliminary work to support a future student loan servicing rulemaking, the CFPB has not announced plans to propose new servicing rules. And, in a federal environment in which the future of CFPB is uncertain, and no new regulations may be proposed without simultaneously eliminating two others, it would be unrealistic to expect such an announcement anytime soon.

At the state level, California's Student Loan Servicing Act will take effect in July, 2018. Legislation to clarify that Act has been proposed (AB 38, Stone) and will likely come before this Committee in June. Future legislative oversight to evaluate the success of the Act will be appropriate, once it has gone into effect, and sufficient time has passed to allow an evaluation of its outcomes.

APPENDIX A

TYPES AND TERMS OF FEDERAL STUDENT LOANS

Source: Federal Student Aid
https://studentaid.ed.gov/sa/sites/default/files/federal-loan-programs.pdf,
https://studentaid.ed.gov/sa/types/loans/interest-rates#older-rates

What kinds of federal student loans are available?

The interest rates shown are fixed rates for the life of the loan.

Federal Loan Program	Program Details (subject to change)	Maximum Annual Award (subject to change)
Direct Subsidized Loan	• For undergraduate students who have financial need • For loans first disbursed on or after July 1, 2016, and before July 1, 2017, interest rate is 3.76% • You're not usually charged interest on the loan during certain periods • The U.S. Department of Education (ED) is the lender; payment is owed to ED	$5,500 depending on grade level and dependency status* For total lifetime limit, go to **StudentAid.gov/sub-unsub**
Direct Unsubsidized Loan	• For undergraduate, graduate, and professional degree students; financial need is not required • For loans first disbursed on or after July 1, 2016, and before July 1, 2017: o 3.76% interest rate for loans made to undergraduate students, and o 5.31% interest rate for loans made to graduate and professional degree students • You're responsible for interest during all periods • ED is the lender; payment is owed to ED	$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status* For total lifetime limit, go to **StudentAid.gov/sub-unsub**
Direct PLUS Loan	• For parents of dependent undergraduate students who are borrowing money to pay for their child's education, and for graduate or professional degree students; financial need is not required • For loans first disbursed on or after July 1, 2016, and before July 1, 2017, interest rate is 6.31% • Borrower must not have negative credit history • ED is the lender; payment is owed to ED	Maximum amount is cost of attendance minus any other financial aid student receives
Federal Perkins Loan	• For undergraduate, graduate, and professional degree students • Eligibility depends on your financial need and availability of funds at your school; contact your school's financial aid office about eligibility • Interest rate is 5% • Your school is the lender; payment is owed to the school that made the loan	Undergraduate students: $5,500; graduate and professional degree students: $8,000 Total lifetime limit may not exceed $27,500 for undergraduates and $60,000 for graduate students (including amounts borrowed as an undergraduate)

*Learn about dependency status at **StudentAid.gov/dependency**.

Note: Find interest rates on loans disbursed before July 1, 2016, at **StudentAid.gov/interest**.

For more information on loans, visit **StudentAid.gov/loans**. Find this fact sheet at **StudentAid.gov/resources#loan-programs**.

December 2016

What are the interest rates on federal student loans first disbursed before July 1, 2016?

The following table provides interest rates for Direct Loans and *Federal Family Education Loan (FFEL) Program* loans** first disbursed on or after July 1, 2006, and before July 1, 2016.

Perkins Loans (regardless of the first disbursement date) have a fixed interest rate of 5%.

Loan Type	Borrower Type	First Disbursement Date	Fixed Interest Rate
Direct Subsidized Loans*	Undergraduate	7/1/15–6/30/16	4.29%
		7/1/14–6/30/15	4.66%
		7/1/13–6/30/14	3.86%
		7/1/11–6/30/13	3.4%
		7/1/10–6/30/11	4.5%
		7/1/09–6/30/10	5.6%
		7/1/08–6/30/09	6.0%
		7/1/06–6/30/08	6.8%
	Graduate or Professional	7/1/06–6/30/12	6.8%

Subsidized Federal Stafford Loans**	Undergraduate	7/1/09–6/30/10	5.6%
		7/1/08–6/30/09	6.0%
		7/1/06–6/30/08	6.8%
	Graduate or Professional	7/1/06–6/30/10	6.8%
Direct Unsubsidized Loans	Undergraduate	7/1/15–6/30/16	4.29%
		7/1/14–6/30/15	4.66%
		7/1/13–6/30/14	3.86%
	Graduate or Professional	7/1/15–6/30/16	5.84%
		7/1/14–6/30/15	6.21%
		7/1/13–6/30/14	5.41%
	Undergraduate and Graduate or	7/1/06–6/30/13	6.8%

	Professional		
Unsubsidized Federal Stafford Loans**	Undergraduate and Graduate or Professional	7/1/06–6/30/10	6.8%
Direct PLUS Loans	Parents and Graduate or Professional	7/1/15–6/30/16	6.84%
		7/1/14–6/30/15	7.21%
		7/1/13–6/30/14	6.41%
		7/1/06–6/30/13	7.9%
Federal PLUS Loans**	Parents and Graduate or Professional	7/1/06–6/30/10	8.5%

*As of July 1, 2012, graduate or professional students are no longer eligible to receive subsidized loans.

**No new *FFEL Program* loans have been made since July 1, 2010.

Most loans (excluding Perkins Loans) first disbursed prior to July 1, 2006, have variable interest rates that are effective from July 1 of one year through June 30 of the following year. Interest rates for these loans are not displayed on this site. For information about any variable-rate loans you may have, contact your loan servicer.

SOURCE: https://studentaid.ed.gov/sa/types/loans/interest-rates#older-rates

APPENDIX B

INCOME-DRIVEN REPAYMENT PLANS

Source: https://studentaid.ed.gov/sa/repay-loans/understand/plans

General Information

1. What is an income-driven repayment plan?

   An income-driven repayment plan is a type of repayment plan for federal student loans that can help make your monthly loan payments more affordable by basing them on your income and family size, instead of on how much you owe. There are four income-driven repayment plans:

   - Revised Pay As You Earn Repayment Plan (REPAYE Plan)
   - Pay As You Earn Repayment Plan (PAYE Plan)
   - Income-Based Repayment Plan (IBR Plan)
   - Income-Contingent Repayment Plan (ICR Plan)

   The **REPAYE Plan**, the **PAYE Plan**, and the **ICR Plan** are available only to borrowers with loans made under the Direct Loan Program. The **IBR Plan** is available to borrowers with loans made under the Direct Loan Program or the FFEL Program.

   Note: These plans have different terms and conditions, and not all borrowers or all loan types qualify for all of the income-driven plans.

2. Other than providing a more affordable payment, do income-driven plans offer additional benefits?

   Income-driven plans offer the following benefits:

   - If you repay your loan under any of the income-driven plans and if you still have a loan balance after 20 or 25 years of qualifying repayment, the remaining balance will be forgiven (this time period varies depending on the plan and other factors).
   - Payments you make on your Direct Loans under any income-driven plan count toward the 120 payments that are required for the Public Service Loan Forgiveness Program (PSLF). See **StudentAid.gov/publicservice** for more information about PSLF.
   - The REPAYE, PAYE, and IBR plans offer an interest benefit if your monthly payment doesn't cover the full amount of interest that accrues on your loans each month. Under all three plans, the government will pay the difference between your monthly payment amount and the remaining interest that accrues on your subsidized loans for up to three consecutive years from the date you begin repaying the loans under the plan. Under the REPAYE Plan, the government will pay half of the difference on your subsidized loans after this three-year period, and will pay half of the difference on your unsubsidized loans during all periods.

3. Paying less each month under an income-driven repayment plan seems like a good thing. Are there any disadvantages?

   Whenever you make lower payments or extend your repayment period, you will likely pay more interest over time—sometimes significantly more—than you would pay under a 10-year Standard Repayment Plan. Also, under current Internal Revenue Service (IRS) rules, you may be required to pay income tax on any amount that is forgiven. Carefully consider whether an income-driven plan is the best plan for you based on your individual circumstances.

4. What are the differences between the income-driven plans?

The chart below compares the major features of the income-driven plans. The terms and conditions summarized in the chart are discussed in detail in separate sections of this document. *See* ***Eligible Borrowers, Eligible Loans, Monthly Payment Amount***, and ***Repayment Period & Loan Forgiveness*** in this document.

Feature	REPAYE Plan	PAYE Plan	IBR Plan	ICR Plan
Eligible Borrowers	Direct Loan borrowers	Direct Loan borrowers **Note:** This plan is limited to new borrowers on or after October 1, 2007, who received a Direct Loan disbursement on or after October 1, 2011.	Direct Loan and FFEL borrowers **Note:** Some terms and conditions differ depending on when you received your federal student loans.	Direct Loan borrowers
Eligible Loans	All Direct Loan types *except* Parent PLUS Loans and consolidation loans that repaid Parent PLUS Loans	All Direct Loan types *except* Parent PLUS Loans and consolidation loans that repaid Parent PLUS Loans	All Direct Loan and FFEL Program loan types *except* Parent PLUS Loans and consolidation loans that repaid Parent PLUS Loans	All Direct Loan types *except* Parent PLUS Loans. Consolidation loans made after July 1, 2006, that repaid Parent PLUS Loans may be repaid under ICR
Income Requirement to Enter Plan	None	Your income must be low compared to your eligible federal student loan debt	Your income must be low compared to your eligible federal student loan debt	None
Requirement to Recertify Income and Family Size	Annually	Annually	Annually	Annually
Monthly Payment	Generally 10 percent of your discretionary income	Generally 10 percent of your discretionary income	Generally • 10 percent of your discretionary income (if you're a new borrower on or after July 1, 2014), or • 15 percent of your discretionary income (if you're not a new	The lesser of • 20 percent of your discretionary income or • what you would pay on a repayment plan with a fixed payment over the course of 12

Feature	REPAYE Plan	PAYE Plan	IBR Plan	ICR Plan
			borrower)	years, adjusted according to your income
Cap on Payment Amount	None (may be higher than the 10-year Standard Repayment Plan amount)	Never more than what you would have paid under the Standard Repayment Plan with a 10-year repayment period, based on what you owed when you entered the PAYE Plan	Never more than what you would have paid under the Standard Repayment Plan with a 10-year repayment period, based on what you owed when you entered the IBR Plan	None (may be higher than the 10-year Standard Repayment Plan amount)
Married Borrowers	Payment is generally based on the combined income and loan debt of you and your spouse, regardless of whether you file a joint or separate federal income tax return If you file a separate return and you are separated from your spouse or are unable to reasonably access your spouse's income, only your income and loan debt is used	Payment is based on the combined income and loan debt of you and your spouse only if you file a joint federal income tax return Only your income is considered if you file a separate return from your spouse	Payment is based on the combined income and loan debt of you and your spouse only if you file a joint federal income tax return Only your income is considered if you file a separate return from your spouse	Payment is based on the combined income and loan debt of you and your spouse only if you file a joint federal income tax return, or if you and your spouse choose to jointly repay under the plan Only your income is considered if you file a separate return from your spouse and do not choose the joint repayment option
Repayment Period & Loan Forgiveness	Any outstanding balance is forgiven after • 20 years of qualifying repayment if all loans you're repaying under the plan were received for undergraduate study, or • 25 years of qualifying	Any outstanding balance is forgiven after 20 years of qualifying repayment	Any outstanding balance is forgiven after • 20 years of qualifying repayment (if you're a new borrower on or after July 1, 2014), or • 25 years of qualifying repayment (if you're not a new	Any outstanding balance is forgiven after 25 years of qualifying repayment

Feature	REPAYE Plan	PAYE Plan	IBR Plan	ICR Plan
	repayment if any loans you're repaying under the plan were received for graduate or professional study)		borrower)	
Interest Benefit	If your monthly payment doesn't cover the full amount of interest that accrues, the government pays • the full amount of the difference on your subsidized loans for the first three years, and half of the difference after the first three years, and • half of the difference on your unsubsidized loans during all periods	If your monthly payment doesn't cover the full amount of interest that accrues on your subsidized loans, the government pays the difference for the first three years	If your monthly payment doesn't cover the full amount of interest that accrues on your subsidized loans, the government pays the difference for the first three years	No interest benefit; if your monthly payment doesn't cover the full amount of interest that accrues on your loans, you're still responsible for paying the interest
Interest Capitalization When Payment Doesn't Cover All Interest	If your monthly payment is less than the amount of interest that accrues, any unpaid interest is capitalized (added to your loan principal balance) if • you are removed from the plan for failing to recertify your income by the annual deadline, or • you voluntarily leave	If your monthly payment is less than the amount of interest that accrues, any unpaid interest is capitalized (added to your loan principal balance) if • you no longer qualify to make payments that are based on your income or • you leave the plan	If your monthly payment is less than the amount of interest that accrues, any unpaid interest is capitalized (added to your loan principal balance) if • you no longer qualify to make payments based on income or • you leave the plan There is no limit on the amount of unpaid interest that may be	If your monthly payment is less than the amount of interest that accrues, any unpaid interest is capitalized (added to your loan principal balance) annually When your monthly payment is less than the amount of interest that accrues, the amount of unpaid interest that is capitalized

Feature	REPAYE Plan	PAYE Plan	IBR Plan	ICR Plan
	the plan There is no limit on the amount of unpaid interest that may be capitalized under these conditions	The amount of unpaid interest that may be capitalized if you no longer qualify to make payments that are based on your income is limited to 10 percent of your original loan principal balance at the time you entered the PAYE Plan	capitalized under these conditions	annually is limited to 10 percent of your original loan principal balance at the time you entered the ICR Plan
Leaving the Plan	If you choose to leave this plan, you may change to any other repayment plan for which you are eligible	If you choose to leave this plan, you may change to any other repayment plan for which you are eligible	If you choose to leave this plan, you will be placed on the Standard Repayment Plan. If you want to change from the Standard Repayment Plan to a different repayment plan, you must first make at least one payment under the Standard Repayment Plan, or one payment under a reduced-payment forbearance (you may request a reduced-payment forbearance if you can't afford the Standard Repayment Plan payment)	If you choose to leave this plan, you may change to any other repayment plan for which you are eligible

5. Is there a maximum income limit to qualify for an income-driven repayment plan?

No. There is an income eligibility requirement for the PAYE and IBR plans, but it is not based on a particular income level. Rather, it compares your income to the amount of your eligible federal student loan debt. There is no income eligibility requirement for the REPAYE or ICR plans. See ***Eligible Borrowers***, below, for more information.

6. How can I learn more?

Contact your loan servicer. Find your loan servicer's contact information at **StudentAid.gov/log-in,** or contact the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243); (TTY: 1-800-730-8913).