

Income-Based Repayment Example: Loan Balance \$40,000								
Repayment Year	1	5	10	15	20	25	Total Payment	Amount Forgiven
Salary	\$22,000	\$30,000	\$41,000	\$50,000	\$57,000	\$60,000		
Current System (15% of adjusted gross income; 25-year loan forgiveness)								
IBR Monthly Payment*	\$66	\$0	\$0	\$10	\$16	\$0	\$4,529	\$103,611
Loan Balance**	\$41,934	\$50,670	\$64,272	\$77,629	\$90,010	\$103,611		
Negative Amortization	\$1,934	\$10,670	\$24,272	\$37,629	\$50,010	\$63,611		
Revised System (10% of adjusted gross income; 20-year loan forgiveness)								
IBR Monthly Payment*	\$44	\$0	\$0	\$10	\$10	N/A	\$2,935	\$91,620
Loan Balance**	\$42,196	\$51,709	\$65,311	\$78,792	\$91,620	N/A		
Negative Amortization	\$2,196	\$11,709	\$25,311	\$38,792	\$51,620	N/A		

Source: New America Foundation, U.S. Department of Education

The example in this case is based on a U.S. Department of Education model. The Department supplied salary information for each year and an original loan balance of \$40,000. Calculations factor in an annual increase in the standard poverty exemption of 2.51% for the individual and 2.58% for each additional family member according to the 20-year average compound rate in poverty exemption as compiled by the Department of Health and Human Services.

\*Monthly loan payments that total less than \$5 are not charged to the borrower. Monthly payments between \$5 and \$10 are charged \$10 per month.

\*\*The loan capitalizes (interest is added to the principal balance) until the loan balance reaches 110% of the original loan balance. Thereafter, interest is accrued but not capitalized.

Estimated Lifetime Payment Under Income Based Repayment Plans \$40,000 Loan at 6.8% Interest				
Based on:	15% of income, 25-yr loan forgiveness		10% of income, 20-yr loan forgiveness	
	Total Payments	Forgiven	Total Payments	Forgiven
Poverty Threshold Rises w/ Inflation	\$4,529	\$103,611	\$2,935	\$91,620
Poverty Threshold Constant (DOE Estimate)	\$49,918	\$58,494	\$21,166	\$73,390

Source: New America Foundation, U.S. Department of Education

The first (top) estimate assumes an annual increase in the standard poverty exemption used to calculate IBR of 2.51% (individual) and 2.58% (each additional family member). Those figures reflect the annual increase in the federal poverty guidelines of the past 20 years. The second (bottom) estimate is based on Department of Education figures included in proposed regulations for which the Department assumed no increase in the standard poverty exemption in any year.