PGPresents, LLC
Independent Student Loan Consulting

Income Driven Repayment Plans

PLEASE READ THIS IN ITS ENTIRETY

NOTE REFERENCES TO THE CURRENT INJUNCTION ON SAVE

Income Driven Repayment (IDR) plans are designed to help borrowers who cannot afford payments with time-driven plans such as the Standard 10-year and Extended 25-year plans. Borrowers with high student loan debt-to-income (DTI) ratios often use IDRs to repay their student loans, as these plans provide affordable payments for most. This makes them ideal for many medical residents whose federal debt is significantly higher than their stipend income.

Payment Calculation

Payments are generally based on income from the most recently filed tax return, so the payment calculation tends to lag a year. This is how some borrowers have $0 calculated payments when they first enter an IDR, if they have a $0 tax return on file (or a return with minimal income). However, note that current income can be used if either a) the borrower has no return on file or b) current income is significantly less than that reported on the prior year return. Once calculated, payments are good for 12 months, at which time borrowers must renew or recertify their payment amount with their loan servicer.

Types of Income Driven Repayment Plans

There are a number of IDRs, including:

- SAVE (Saving on a Valuable Education) - 2023
- REPAYE (Revised Pay As You Earn) - 2015
- PAYE (Pay As You Earn) - 2012
- IBR (Income Based Repayment) - 2009 then newer version in 2014
- ICR (Income Contingent Repayment) - 1994

SAVE and the Current GOP-Initiated Injunction

The Biden-Harris Administration introduced SAVE in the summer of 2023. SAVE replaced REPAYE and borrowers previously in REPAYE were automatically moved to SAVE. SAVE has a number of borrower-friendly provisions, with the third one listed below being especially important to medical residents:

- SAVE has lower payments than other IDRs, because more of a borrower's discretionary income (DI) is protected in the payment calculation.
- Spousal income is excluded in the payment calculation when married borrowers file separately.
- ED will stop charging monthly interest that is not covered by the borrower's minimum payment with SAVE. This means your balance will never grow when your calculated payment with SAVE is less than the monthly interest you owe. We call this a 100% interest subsidy.

The GOP has been after SAVE since it was first introduced, and currently courtesy of some GOP states attorneys general and the Eighth Circuit Court, the entire SAVE plan is on hold, something that is also impacting other repayment plans such as ICR and PAYE. We anticipate the current injunction being appealed by the U.S. Department of Education to the Supremes, but as they are a conservative court, we do not anticipate a borrower-friendly resolution nor do we anticipate a decision until late spring, if then.

SAVE and the Current GOP-Initiated Injunction (continued)

Please see www.StudentAid.gov/SAVEaction for updates on the injunction and its impact, as these are directly from the U.S. Department of Education.

Lastly, while the clear precedent is not to pull students from a repayment plan they are already in, we have no idea how the courts will treat borrowers already in SAVE as regards future payment, especially with what we consider a not borrower-friendly incoming administration and the already unlikely borrower-friendly Supremes.

Income Based Repayment an Option

However, please note that Income BASED Repayment (IBR) was established separately by Congress many years ago and thus far is a protected plan, meaning borrowers can use IBR should they need an income plan. Please note from our comparison chart (see link below) the following about IBR:

- While payments are higher than with SAVE, they should still be affordable.
- Payments with IBR qualify for Public Service Loan Forgiveness, assuming employment requirements are met for PSLF.
- There is no subsidy on Direct Unsubsidized and Direct PLUS (Grad PLUS) loans, meaning unlike SAVE, your balance will grow when your payments do not cover the monthly interest due. While of not great concern for borrowers doing PSLF, it is of concern for borrowers who are not doing PSLF or who start out towards PSLF, then move into the for-profit sector.

While your decision to make, many borrowers we work with in the Class of 2024 are not waiting any longer for a resolution to SAVE, they are applying for IBR. In addition, many borrowers we work with who were on SAVE are now moving to IBR, but only if they are trying to keep the clock ticking towards PSLF eligibility.

We strongly encourage you to contact your loan servicer if you are interested in Income BASED Repayment (CALL IT BY THAT NAME, semantics are important), always noting who you speak with and always speaking with a supervisor if needed.

Details on IBR versus SAVE

Please see our IDR Comparison Chart for details on the differences between the two versions of IBR and SAVE. Note that we exclude ICR and PAYE from our chart, as while this is subject to change, currently there are no new applications being accepted for ICR and PAYE. In addition, ICR is a much older repayment plan that most often results in much higher payments, thus it is rarely used.

We will update this information as best we can whenever possible.

November 2024