

## Income Driven Repayment Plans

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. Note the following IDRs:

- SAVE (Saving on a Valuable Education, which replaced REPAYE)
- PAYE (Pay As You Earn) – Being phased out, no first-time applications as of July 1, 2024
- IBR (Income Based Repayment) – Two versions (see notes on Comparison Chart)
- ICR (Income Contingent Repayment) – Being phased out, no first-time applications as of July 1, 2024

With income plans, payments are generally based on income from the most recently filed tax return, so the payment calculation tends to lag a year, resulting in \$0 calculated payments for some borrowers when they first enter an IDR if they filed a \$0 tax return for the previous year.

However, current income can be used if either a) 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, borrowers must renew or recertify their payment amount annually.

Under the direction of the Biden-Harris Administration and the U.S. Department of Education (ED), a new repayment plan was announced in July 2023 known as SAVE. SAVE replaced REPAYE, and borrowers previously in REPAYE have been automatically moved to SAVE. Note these borrower-friendly provisions in SAVE of interest to many graduate and professional borrowers:

- SAVE has lower payments than other income plans, because more of a borrower's discretionary income (DI) is protected in the payment calculation.
- SAVE allows married borrowers to exclude spousal income from their payment calculation if they file separately.
- **With SAVE, ED will stop charging monthly interest that is not covered by the borrower's minimum payment with SAVE. This means someone's balance will never grow when their calculated payment with SAVE is less than the monthly interest they owe.**

**PLEASE NOTE: SAVE is currently on hold, courtesy of the GOP and some GOP attorneys general, and its future is currently tied up in the courts and may ultimately be decided by the Supremes. Please see [www.StudentAid.gov](http://www.StudentAid.gov) for updates and the impact of the current hold on other income plans such as IBR.**

Please see our **IDR Comparison Chart** for details on the various IDRs and be sure to read the slides after the chart itself, as they contain important information on the plans.

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