# Student Startup Plan

## Is student loan debt stopping you from starting your own business? The Income-Based Repayment (IBR) Plan can help.

Income-Based Repayment is a new payment option for federal student loans. The Income-Based Repayment Plan supports young college grads looking to start a business or join a startup by making student loan repayment manageable. It can help you keep your loan payments affordable by using a sliding scale to determine how much you can afford to pay on your federal loans—empowering students and recent graduates to take risks with their jobs and new opportunities.

Mark Case Study:
Mark graduated from college in 2005. After working full-time for a year, he went to graduate school and got an MBA. He is a clean energy entrepreneur who recently started a business, and his annual income is $15,000. His undergraduate and graduate student loan payments total almost $500 a month. Since both of Mark's student loans are federal loans, he was able to switch both loans to an IBR payment plan.

**Payment before IBR: $460/month**
**Payment under IBR: $0/month**
**Annual savings: $5,520**

Alison Case Study:
Alison got a full college scholarship but is taking out loans to pay for graduate school. She will have to make payments on her Direct PLUS Loan, a federal student loan, when she graduates. She has a job offer from a nonprofit organization. Alison wants to take the job, but is worried about paying back her student loans on a $30,000 salary. When Alison graduates, her Direct PLUS Loan debt will be eligible for an IBR payment plan. After 10 years, her loans may be forgiven under the Public Service Loan Forgiveness program.

**Payment before IBR: $350/month**
**Payment under IBR: $171/month**
**Annual savings: $2,148**

Cory Case Study:
Cory is a college student who is set to graduate next spring. Together with two friends, he plans on starting a business right after graduation. He also already has a job offer from the company where he holds an internship. Working part-time for them, he will earn $25,000. He has a private loan with a $147 monthly payment and a Direct Stafford Loan with a $173 monthly payment. Although Cory's private debt is not eligible for IBR, his federal student debt is eligible.

**Payment before IBR: $320/month**
**Payment under IBR: $255/month**
**Annual savings: $780**

*The above case studies are fictitious examples that represent how Income-Based Repayment and Public Service Loan Forgiveness can help students and recent graduates manage their student loan payments.

# What Is Income-Based Repayment?

Young entrepreneurs are key to our economic success now and in the future. If student loan payments are standing in your way, the Federal government can help. The Income-Based Repayment Plan can help you keep your Federal loan payments affordable with payment caps based on income and family size. For most eligible borrowers, Income-Based Repayment loan payments will be less than 10% of income—and even smaller for borrowers with low earnings. For a single graduate, Income-Based Repayment options look like the amounts in the table below. To find out what your payment would be, use the IBR Calculator.

| Annual Income | $10,000 | $15,000 | $20,000 | $25,000 | $30,000 | $35,000 | $40,000 |
|---|---|---|---|---|---|---|---|
| IBR Monthly Payment | $0 | $0 | $46 | $108 | $171 | $233 | $296 |

If you earn less than $20,000 in annual income, the Income-Based Repayment is zero. If your monthly Income-Based Repayment payment amount does not cover the interest that accrues on your loans each month, the Federal government will pay your unpaid accrued interest for up to three consecutive years from the date you began repaying your loans under the Income-Based Repayment Plan. After 25 years, any remaining balance on your Federal student loan debt will be cancelled. In some cases, your student loans may be eligible for forgiveness after just 10 years. Click on "Working in Public Service" below to find out more.

Learn more about the Income-Based Repayment Plan at Student Aid on the Web from the U.S. Department of Education.

# How Do I Take Advantage of Income-Based Repayment?

Eligible Federal student loan borrowers in both the Federal Direct Loan and Federal Family Education Loan Program (FFELP) Loan programs can take advantage of Income-Based Repayment. The program covers most types of federal loans made to students, including Stafford, PLUS, and Consolidation Loans. The loans can be new or old, and for any type of education, such as undergraduate, graduate, professional, and job training.

To qualify for Income-Based Repayment, you have to have enough debt relative to your income and have "partial financial hardship". That means the monthly amount you would be required to pay on your IBR-eligible loans under a Standard Repayment Plan with a 10-year repayment period is higher than the monthly amount you would be required to repay under IBR.

The IBR monthly payment amount is based on your annual Adjusted Gross Income (AGI) and family size. Specifically, the maximum annual amount you are required to repay under IBR during any period when you have a “partial financial hardship” is 15 percent of the difference between your AGI and 150 percent of the U.S. Department of Health and Human Services (HHS) Poverty Guideline amount for your family size and state. This annual repayment amount is then divided by 12 to determine your monthly IBR repayment amount.

You must contact each of the servicers that service your loans to apply for Income-Based Repayment. If you are unsure who holds your loans or who your loan servicer is, you can access the U.S. Department of Education’s National Student Loan Data System (NSLDS) website at www.nslds.ed.gov or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243; TTY 1-800-730-8913).

To switch to an Income-Based Repayment Plan, graduates must contact their lenders directly and are generally asked to fill out an application form and wait for approval. The waiting period is on average a few weeks but may differ between specific lenders. While the process is relatively straightforward, a graduate must contact each loan provider separately to switch each particular loan to Income-Based Repayment.

## About to Graduate

You must contact each of the servicers that service your loans to apply for Income-Based Repayment. If you are unsure who holds your loans or who your loan servicer is, you can access the U.S. Department of Education’s National Student Loan Data System (NSLDS) website at www.nslds.ed.gov or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243; TTY 1-800-730-8913).

## Already An Alum

To switch to an Income-Based Repayment Plan, graduates must contact their lenders directly and are generally asked to fill out an application form and wait for approval. The waiting period is on average a few weeks but may differ between specific lenders. While the process is relatively straightforward, a graduate must contact each loan provider separately to switch each particular loan to Income-Based Repayment.

## Working in Public Service

If you work in a "public service" job, such as for the government or a nonprofit 501(c)(3) organization, your federal student loans may be eligible for Public Service Loan Forgiveness (PSLF). This program forgives remaining student debt after 10 years of eligible employment and qualifying loan payments. During those 10 years, Income-Based Repayment can help make your payments affordable. Learn more about Public Service Loan Forgiveness, and find out of your job is eligible, at Student Aid on the Web.