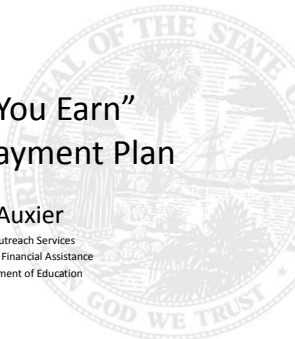


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**“Pay As You Earn”
(PAYE) Repayment Plan**

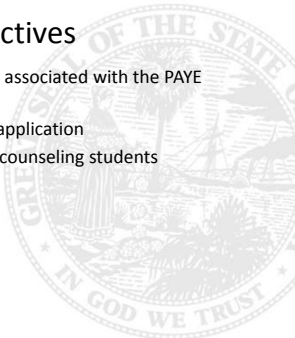
Lori Auxier
Director of Outreach Services
Office of Student Financial Assistance
Florida Department of Education



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Objectives

- Understand key terms associated with the PAYE repayment plan
- Locate the electronic application
- Identify resources for counseling students regarding PAYE

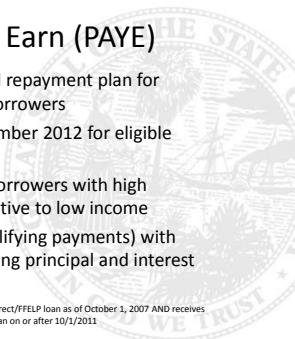


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Pay As You Earn (PAYE)

- Newest income-based repayment plan for NEW* student loan borrowers
- Implemented in December 2012 for eligible Direct loan borrowers
- Designed to benefit borrowers with high student loan debt relative to low income
- 20-year plan (240 qualifying payments) with forgiveness of remaining principal and interest


*New borrower: No outstanding balance on a Direct/FFELP loan as of October 1, 2007 AND receives a Direct subsidized, unsubsidized, or GradPlus loan on or after 10/1/2011



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PAYE Parameters

- Eligible Loans
- Partial Financial Hardship
- Discretionary Income
- Family Poverty Guidelines
- Income Based Payment Formula
- Interest Subsidy
- Loan Forgiveness



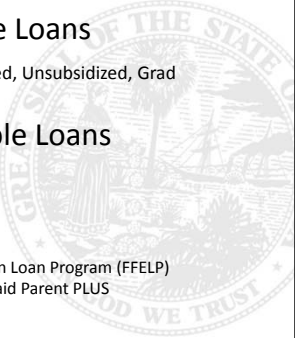
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Eligible Loans

- Direct Loans (Subsidized, Unsubsidized, Grad Plus)

Ineligible Loans

- Defaulted
- Parent PLUS
- Perkins
- Private
- Federal Family Education Loan Program (FFELP)
- Consolidations that repaid Parent PLUS

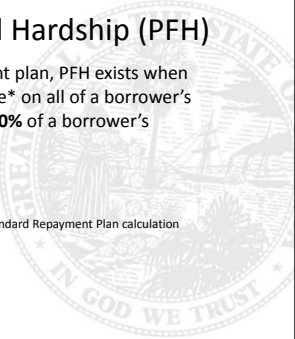


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Partial Financial Hardship (PFH)

- For the PAYE repayment plan, PFH exists when the annual amount due* on all of a borrower's eligible loans exceed **10%** of a borrower's discretionary income

*The amount due is based on the Standard Repayment Plan calculation



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Discretionary Income

- The difference between a borrower's Adjusted Gross Income (AGI) on his tax return and 150% of the poverty guideline for the borrower's family size.

The diagram illustrates the calculation of Discretionary Income. It shows three blue circles connected by lines. The first circle is labeled 'AGI'. A minus sign connects it to a second circle labeled 'Poverty Guideline for family size x 150%'. An equals sign connects this to a third circle labeled 'Discretionary Income'.

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Poverty Guideline

- Published annually by the U.S. Department of Health and Human Services
- <http://aspe.hhs.gov/poverty>
- Shows the lowest income amount for a family or individual not to live in poverty

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2013 Poverty Guidelines

Persons in family	2013 Poverty guideline*	150% for PAYE calculation
1	\$11,490	\$17,235
2	15,510	23,265
3	19,530	29,295
4	23,550	35,325
5	27,570	41,355
6	31,590	47,385
7	35,610	53,415
8	39,630	59,445
For families with more than 8 persons, add \$4,020 for each additional person.		

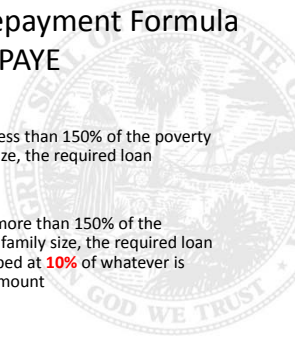
*For the 48 Contiguous States and the District of Columbia

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Income-Based Repayment Formula for PAYE

Sliding scale

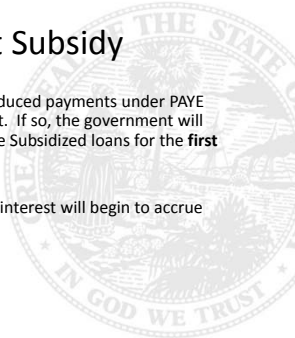
- If a borrower earns less than 150% of the poverty level for the family size, the required loan payment will be **\$0**
- If a borrower earns more than 150% of the poverty level for the family size, the required loan payment will be capped at **10%** of whatever is earned above that amount



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Interest Subsidy

- In some situations, reduced payments under PAYE may not cover interest. If so, the government will pay the interest on the Subsidized loans for the **first three years**
- After three years, the interest will begin to accrue



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Loan Forgiveness

- After 20 years and 240 eligible payments, any remaining principal balance and accrued interest may be forgiven
- The amount forgiven will be treated as **TAXABLE INCOME**



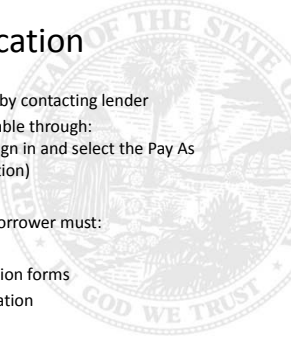
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Application

- Paper application available by contacting lender
- Electronic application available through:
www.studentloans.gov/ (Sign in and select the Pay As You Earn electronic application)

IMPORTANT! Each year the borrower must:

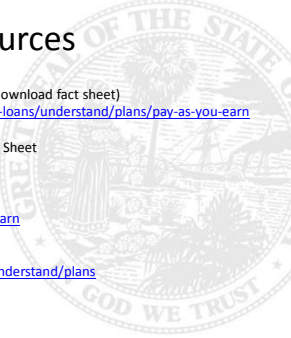
- RE-APPLY
- Submit family size certification forms
- Submit tax return for evaluation



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Resources

- PAYE Fact Sheets (scroll down page to download fact sheet)
<http://www.studentaid.ed.gov/repay-loans/understand/plans/pay-as-you-earn>
- Income Driven Repayment Comparison Sheet
www.NCHER.us
- Repayment Calculators
<http://StudentAid.ed.gov/PayAsYouEarn>
- Repayment Plan Descriptions
<http://StudentAid.gov/repay-loans/understand/plans>



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For more information:

- U.S. Department of Education
1-800-4-FED-AID (1-800-433-3243)
- Lori Auxier, Director of Outreach Services
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