

Income Based Repayment

April 9, 2009 School-Based Webinar

Questions & Answers

<u>Question</u>	<u>Answer</u>
1 Are there any provisions in IBR that would allow someone who worked last year and had income but is NOT working during the period they need to start making payments that looks at CURRENT or PROJECTED income, much like we used to do when determining EFC for folks on PROJECTED income.	In this instance the borrower is permitted to submit alternative documentation to support their change in income status.
2 Should a student use EHD while in residency and then apply for IBR?	If a residency borrower is eligible for EHD under the 20/220 conditions, the borrower should use the EHD time prior to 7/1/09 since they will no longer be eligible for such an EHD condition after 7/1/09. Note: The borrower should work with their lender/servicer to determine what will best fit their needs.
3 In the event a lender is willing to look at future income when determining payments under IBR, what kind of documentation might they accept in lieu of a tax return from the previous year? Thanks!	Based on the regulations, servicers cannot look at future income when determining PFH eligibility. A lender/servicer must first try and obtain the AGI from the most recent tax year in order to qualify the borrower under PFH/IBR.
4 Many Puerto Rican residents are not required to file a Federal Income Tax Return, how will AGI be determined?	If a borrower has not filed a tax return with the IRS, the borrower is permitted to provide alternative income documentation to qualify for PFH/IBR.
5 For GRAD loans, is a Standard-Standard payment calculated at final disbursement or at school deferment end?	The Standard-Standard payment will be calculated at final disbursement for a Grad PLUS loan since the borrower can opt to not stay in the school deferment period.
6 Is it possible for a parent to remove a Parent PLUS Loan from a consolidation loan in order to qualify for IBR?	Once consolidated a consolidation loan is not permitted to be reversed or undone nor a loan removed.
7 Can interest be capitalized at the end of a Forbearance or Deferment during non-PFH periods while in IBR?	Yes, normal capitalization rules apply in these instances.
8 Can Admin Forbearance be used to cover delinquency in between periods of PFH?	No, an administrative forbearance can only be used to cover a delinquency when a borrower is changing repayment plans and is delinquent.
9 If we cannot increase the Permanent-Standard, how do we account for interest caps that may cause the borrower not to payout in the remaining term?	Once the borrower enters IBR and the Permanent-Standard payment amount established, unless the borrower voluntarily leaves the IBR umbrella there's no longer a maximum term remaining. The payment amount would stay at the Permanent-Standard payment amount and the loan will pay out when satisfied. And, if a balance is still remaining at the end of the 25 years it would be forgiven.

10	With forgiveness, do payments made under an income sensitive plan count?	The payments under Income Sensitive can count as long as the payment amount is not less than the Standard-Standard payment.
11	For variable rate loans, what interest rate is used to calculate the Standard repayment? (i.e. Max, Min, current)	This is really a lender/servicer decision and can follow their current policy for disclosure of any other repayment plan.
12	What are some reasons forgiveness will be denied if the borrower has made 300 payments over 25 years?	This is difficult to determine at this time. Generally, the denial by the guarantor agency will probably be the result of a servicer error in determining forgiveness eligibility such as non-qualifying payments.
13	Can a borrower be on IBR (0-\$5) for 25 years?	Yes if the borrower remains eligible for a PFH with a calculated payment amount that allows for the \$0 payment amount. Note: With a calculated payment amount of between 0 - \$5, the PFH payment amount will be \$0
14	Please give examples of when a person would elect to leave IBR.	If the borrower wishes to enter into a different repayment plan such as Extended Repayment or they have a consolidation loan that would allow for a longer repayment term.
15	Can a borrower still apply if the loan is 270+ days delinquent or in "Claim Submitted" status?	No, a borrower in default does not qualify for IBR.
16	What is the interest rate? or How is it determined with multiple loans?	Each loan will retain its regulatory interest rate.
17	What proof of income will be used if borrower is not required to file taxes?	The borrower should complete and submit the Alternative Documentation of Income form along with supporting documentation. Examples of alternative document include but are not limited to: pay stubs, letter from employer, interest or bank statements, dividend statements, canceled checks.
18	Please explain the difference again between IBR and PFH.	IBR (Income Based Repayment) is the actual repayment plan. PFH (Partial Financial Hardship) is a underlying component of the IBR plan. A borrower may be determined to have a PFH based on the result of the income analysis.
19	May Deferments (school, etc.) be posted during IBR? Forbearances? How would they be treated with respect to term?	Yes, borrowers remain eligible for all applicable deferment and forbearance periods. The deferment and forbearance periods will not be calculated in the borrower's IBR term.
20	Are loans with Co makers eligible for IBR? If yes, does the co maker need to submit income docs?	Yes, co made loans are eligible for the IBR repayment plan as long as both qualify individually. If the co-maker is the spouse then yes their income would be taken into consideration.
21	Does public service loan forgiveness apply to both FFEL and Direct loans? Sorry if you shared this information earlier I had to leave my desk a couple of times. Thanks	The Public Loan Forgiveness is only eligible for Direct Loans.
22	If a student is in IBR and returns to school, would they be advised to do an In-School Deferment but continue to make payments in order to reach 300 payments in 25 years?	If a borrower enters into a deferment period, other than the Economic Hardship deferment, even if payments are made, the payments would not count toward the forgiveness.

23	What happens if the lender does not request the forgiveness payment from the Guarantor with in the 60 day time frame?	The interest that accrues on the discharged amount after the expiration of the 60-day filing period is ineligible for reimbursement by the Secretary, and the servicer must repay all interest and special allowance received on the discharged amount for periods after the expiration of the 60-day filing period.
24	Are borrowers still eligible to use Residency Forbearance if they are in IBR?	Yes
25	If a borrower leaves the IBR umbrella and enters Expedited-Standard, do they have to make one payment before they can switch to a different repayment plan? Could they ask for forbearance (e.g. mandatory forbearance for medical residents)?	The borrower exiting IBR and into Expedited Standard will only need to be billed by the lender for one payment, the borrower does not necessarily need to make the payment. The borrower can then switch to another payment plan or request a forbearance.