



**PROJECT ON PREDATORY STUDENT LENDING
LEGAL SERVICES CENTER OF HARVARD LAW SCHOOL**

REPAYE Summary, May 29, 2015

The Department of Education is proposing a new plan called REPAYE, based on the PAYE plan. Key differences from PAYE are summarized below.

Eligible Borrowers. The new REPAYE plan is available to all student Direct Loan borrowers regardless of when the borrower received the Direct Loan and whether the borrower has a Partial Financial Hardship (PFH).

Forgiveness. Loans will qualify for forgiveness after **twenty** years if all loans in REPAYE are for undergraduate study only. Loans qualify for forgiveness after **twenty-five** years if at least one of the loans in REPAYE is for graduate study.

- Qualifying monthly payments include any payment made under REPAYE, other ICR plans, the standard ten year repayment plan, the alternative repayment plan, any month during an economic hardship deferment, or any payment under another plan that is equal to or more than the borrower's standard ten-year repayment amount.

Married Borrowers. Married borrowers' adjusted gross income includes the borrower's spouse's income whether they file joint or separate tax returns, unless the borrower certifies that the he or she is separated or that he or she cannot reasonably access the income information of his or her spouse.

Monthly Payment Caps. Monthly payments will *not* be capped at the amount the borrower would have paid under a standard ten-year repayment plan.

Accrued Interest. If a borrower's monthly payment is not sufficient to pay accrued interest:

- **Subsidized & Subsidized Portions of Consolidation Loans:** accrued interest is waived for no more than three consecutive years. Thereafter, the Department will charge 50% of the remaining accrued interest.
- **Unsubsidized, PLUS, & Unsubsidized Portions of Consolidation Loans:** the Department will charge 50% of the remaining accrued interest.

Interest Capitalization. When a borrower has a PFH, interest accrues but is not capitalized. If the PFH ends, the Department will capitalize accrued interest equal to no more than 10% of the original principal balance when the borrower entered REPAYE. Above this limit, interest will continue to accrue, but will not be capitalized while the borrower remains on REPAYE.

Failure to Provide Required Documentation of Income. If the borrower does not provide the required income documentation within ten days of the deadline, the borrower will be removed from REPAYE and placed on an alternative repayment plan. The payment will be the amount necessary to repay the loan in full ten years from start of the alternative repayment plan, or by the end of the forgiveness period, whichever is earlier.

- To re-enter REPAYE, the borrower must provide the required documentation, including information necessary to determine the amount the borrower would have had to pay while on the alternative (or a different) repayment plan.
- Payments made under such an alternative repayment plan **will not** be qualifying payments for Public Service Loan Forgiveness, but **will** count toward loan forgiveness if the borrower later returns to REPAYE.

For further information, see the Department's [Negotiated Rulemaking site](#). For updates, see the [Federal Register](#).