



Student Loan Relief

With the cost of getting a college education outpacing inflation over the past 20 years and the underperformance of the stock market over the last decade, more and more students are borrowing money to help fund their college dreams. In a 2008 Business Week article, the average college student was found to start his or her work life in the hole to the tune of \$20,000. This level of indebtedness and trouble finding good paying jobs has put a real squeeze on recent college graduates.

If your children, grandchildren, or friends find themselves in this situation, a new federal program, the Income Based Repayment (IBR) program, may provide some relief. The goal of the program is to limit a graduate's required monthly payment to an affordable amount based on his or her income and family size. The IBR program applies to federal student loans, including Stafford, Grad PLUS, or consolidation loans made under either the Direct Loan or FFEL program. The following chart helps illustrate how income and family size determine IBR monthly payment amounts:

IBR Monthly Payment Amount							
Annual Income	Family Size						
	1	2	3	4	5	6	7
\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$20,000	\$47	\$0	\$0	\$0	\$0	\$0	\$0
\$25,000	\$109	\$39	\$0	\$0	\$0	\$0	\$0
\$30,000	\$172	\$102	\$32	\$0	\$0	\$0	\$0
\$35,000	\$234	\$164	\$94	\$24	\$0	\$0	\$0
\$40,000	\$297	\$227	\$157	\$87	\$16	\$0	\$0
\$45,000	\$359	\$289	\$219	\$149	\$79	\$9	\$0
\$50,000	\$422	\$352	\$282	\$212	\$141	\$71	\$1
\$55,000	\$484	\$414	\$344	\$274	\$204	\$134	\$64
\$60,000	\$547	\$477	\$407	\$337	\$266	\$196	\$126
\$65,000	\$609	\$539	\$469	\$399	\$329	\$259	\$189
\$70,000	\$672	\$602	\$532	\$462	\$391	\$321	\$251

Source: www.studentaid.ed.gov

Of course, the IBR program is not a magic solution to college indebtedness; it only serves to provide additional time to service your debt and scales payments proportional to income in an attempt to make debt manageable. Under IBR, your monthly payment amount will be less than the amount you would be required to pay under a standard 10-year repayment plan. Making reduced IBR payments may result in a longer repayment period and paying more interest.

There can be two other major benefits to repayment through the IBR program: 10-Year Public Service Loan Forgiveness and 25-Year Cancellation. First, if you work in public service after graduating and have reduced loan payments through IBR, your remaining balance after 10 years in a public service job could be cancelled if you made loan payments for each month. Secondly, if you repay under the IBR plan for 25 years and meet certain other requirements, any remaining balance will be cancelled.

To learn more about these programs and other ways to pay for college, I highly recommend visiting the Federal Student Aid website at www.studentaid.ed.gov.

--Joe Hebert. Posted 08/15/2009.