

PAYE or REPAYE

(these plans available on Federal Direct Loans only)

	PAYE (2012)	REPAYE (2015)
Payment calculation	10% of DI*, capped at Standard 10 year	10% of DI*, no payment cap
Repayment term	20 years any remaining balance forgiven**	25 years any remaining balance forgiven**
Capitalization	Capped at 10% of principal	No limit
Spousal income	Yes, but not when filing separately	Yes, regardless of filing status
Income requirement	Yes, borrower must demonstrate PFH***	No
Interest subsidy on unsubsidized loans	No	Yes; 50% any time interest due is higher than REPAYE amount; this slows down how fast the debt grows
PSLF qualifying payments	Yes, assuming borrower working FT for PSLF qualifying employer	Yes, assuming borrower working FT for PSLF qualifying employer

- PAYE possibly better for borrowers with low student loan debt to income ratio
- PAYE possibly better for borrowers who need to exclude spousal income from payment calculation
- REPAYE possibly better for borrowers with high student loan debt to income ratio
- REPAYE possibly better for single borrowers or married borrowers whose spouse has minimal income

* Discretionary Income (how much AGI exceeds 150% of poverty level)

** We call this TERM forgiveness; forgiveness amount considered taxable income at the time forgiven

*** Partial Financial Hardship occurs when 10% of DI is less than original Standard 10 year payment amount