

Help For Paying Off Student Loans More Affordably

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A new option in the form of an income-based repayment plan may offer help to consumers who are struggling to maintain student loan payments. The plan is not available to everyone, but is intended to cap the payments of those eligible at an amount intended to be affordable based on income, family size, and state of residence.

Details on the Income-Based Repayment Plan can be obtained from the [U.S. Department of Education website](#). Federal student loans eligible under the plan include Stafford loans, Grad PLUS loans, and most federal consolidation loans. Loans that are not eligible are Parent PLUS loans, federal consolidation loans that include Parent PLUS loans, and private loans. Loans must be in good standing in order to qualify.

The program caps payments at 15% of the amount by which a person's adjusted gross income exceeds 150% of the federal poverty line based on family size. For example, the poverty line for a single person is \$10,830, and 150% of that is \$16,245. If a single person has \$40,000 in student loans and an adjusted gross income of \$30,000 per year, the payment would be 15% of \$13,755 (\$30,000 minus \$16,245), divided by 12 months, or \$171.94 per month. The normal payment on a \$40,000 student loan would be \$460.32 under the normal 10-year repayment plan, or \$277.63 under an extended 25-year repayment plan.

Borrowers who remain in the program for 25 years will have their debt completely forgiven, including interest. For borrowers who enter public service fields, such as nursing, public interest law, or nonprofit work, their debts will be forgiven after 10 years of service and loan payments. To apply for the program, a consumer must contact the lender or loan servicing company that collects his or her loan payments.

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“This is the first time in the Federal Family Education Loan Program that there is forgiveness for a borrower’s unpaid balance after the 25 years of payments,” said Patricia Scherschel, vice president of Sallie Mae, the nation’s largest student loan lender. “The plan has the ability to offer a low payment – a payment as low as zero dollars for those folks who really have low income compared to what their monthly debt burden would be for those loans.”

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