Center for American Progress

Student-Loan Repayment Plans: 10 Models

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Plan	Standard 10-Year Repayment Plan	Graduated Repayment Plan	Extended Repayment Plan	Income-based repayment	Pay As You Earn	Consolidation	New America Foundation	Australia model	Petri proposal	Lumni model
Summary	Borrowers fully repay the loan and any accrued interest by making the same monthly payment every month for 10 years.	Borrowers fully repay the loan and any accrued interest by making monthly payments that increase over time for 10 years.	Borrowers with larger loans fully repay the loan and any accrued interest by making monthly payments over a period of up to 25 years.	Borrowers who took out loans before 2008 may make monthly payments equal to 15 percent of their discretionary incomes.	Borrowers who took out loans after 2008 may make monthly payments equal to 10 percent of their discretionary incomes.	Borrowers combine multiple loans into a single loan.	All borrowers repay based on a percentage of their income.	All borrowers repay based on a percentage of their income through payroll withholding.	All borrowers repay 15 percent of their discretionary income through payroll withholding.	Borrower agrees to pay a set percentage of his of her income to the lender after graduation.
Which loans are eligible?	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, consolidation loans	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, consolidation loans	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, consolidation loans	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, consolidation loans	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, consolidation loans	Subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans	Would combine all federal loans into one loan	Would combine all federal loans into one loan	Would combine all federal loans into one loan	Private loan.
How is the monthly payment calculated?	Fixed amount that allows the borrower to fully repay the loan and any accrued interest with 120 monthly payments.	Payments are lower at first and then increase, and are never less than the amount of interest that accrues between payments.	Payments may be fixed or graduated.	The minimum monthly payment is 15 percent of income, after excluding 150 percent of the poverty line, but may not exceed what the borrower would have paid under the Standard 10-Year Repayment Plan.	The minimum monthly payment is 10 percent of income, after excluding 150 percent of the poverty line, but may not exceed what the borrower would have paid under the Standard 10-Year Repayment Plan.	Payments may be fixed, graduated, or income based.	For a borrower with income less than 300 percent of the poverty line, minimum monthly payment is 10 percent of income, after excluding 150 percent of the poverty line. Other borrowers pay 15 percent of income.	When the borrower reaches the repayment income threshold (about $50,000), a payment of 4 percent to 8 percent of income is collected through routine payroll deduction.	The minimum monthly payment is 15% of income, after excluding 150% of the poverty line, collected through routine payroll deduction.	Borrower typically agrees to pay between 4%-8% of income, depending on the size of the loan and borrower characteristics.
What is the timeframe?	10 years	10 years	Up to 25 years	Up to 25 years	Up to 20 years	Up to 30 years, depending on the size of the loan (for borrowers who switch to consolidation, the loan repayment term is re-set)	Up to 25 years	Payments are made until the balance of the loan is repaid, or the borrower's income falls below the repayment threshold.	Payments are made until the balance of the loan is repaid.	Usually 10 years

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What is the interest rate?	Fixed interest rate set by Congress (currently 6.8 percent for Stafford loans and 7.9 percent for PLUS loans)	Fixed interest rate set by Congress (currently 6.8 percent for Stafford loans and 7.9 percent for PLUS loans)	Fixed interest rate set by Congress (currently 6.8 percent for Stafford loans and 7.9 percent for PLUS loans)	Fixed interest rate set by Congress. Unpaid interest is not added to the original principal of the loan while the borrower has financial hardship.	Fixed interest rate set by Congress. Unpaid interest is not added to the original principal of the loan while the borrower has financial hardship.	Fixed interest rate based on the average of the interest rates on the loans being consolidated, not to exceed 8.25 percent.	Fixed interest rate set at 10-year Treasury rate plus 3 percent.	No interest. Loans are assessed a constant fee of 25 percent, and the value of the loan is adjusted for inflation annually.	Fixed interest rate set at 10-year Treasury rate plus either 3 percent or 4.1 percent, depending on the size of the loan. Interest does not compound and stops accruing when the amount of interest accrued equals 50 percent of the loan's original balance.	No interest.
Are loans ever forgiven?	No	No	No	Any unpaid debt is forgiven after 25 years. Loan forgiveness is taxable.	Any unpaid debt is forgiven after 20 years. Loan forgiveness is taxable.	A borrower who leaves income-based repayment and makes payments under consolidation that are lower than what he would pay under the Standard 10-Year Repayment Plan may not count the lower payments towards meeting the loan forgiveness threshold under income-based repayment.	For borrowers with an initial loan balance less than $40,000, any remaining debt is forgiven after 20 years. For borrowers with an initial loan balance greater than $40,000, any remaining debt is forgiven after 25 years.	No	No	No, but the borrower may end up paying back less than the original value of the loan