Understanding Student Loan Repayment Options

National Consumer Law Center
Fighting Together for Economic Justice

August 2026

National Consumer Law Center (NCLC)

OUR MISSION

Economic Fairness & Justice

NCLC works tirelessly to secure economic fairness and justice for people with low incomes across the nation.

Understand Rights

Helping student loan borrowers understand their rights and obligations clearly.

Train Advocates

Training and working with lawyers and advocates nationwide on complex student loan issues.

Advocate & Lobby

Advocating for student loan borrowers with lawmakers to push for systemic reform.

Systemic Change

Fighting directly to make the student loan system work better for everyday borrowers.

For more information, visit our websites: nclc.org | studentloanborrowerassistance.org

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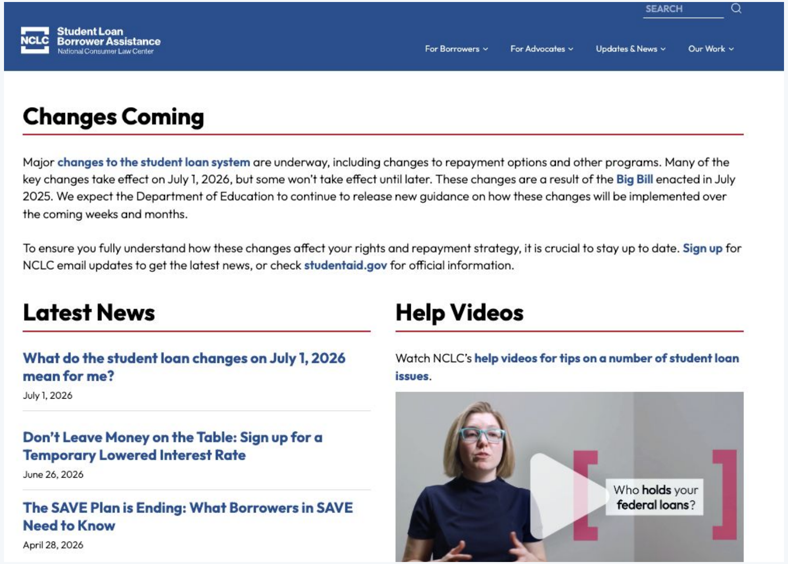
Online Resources

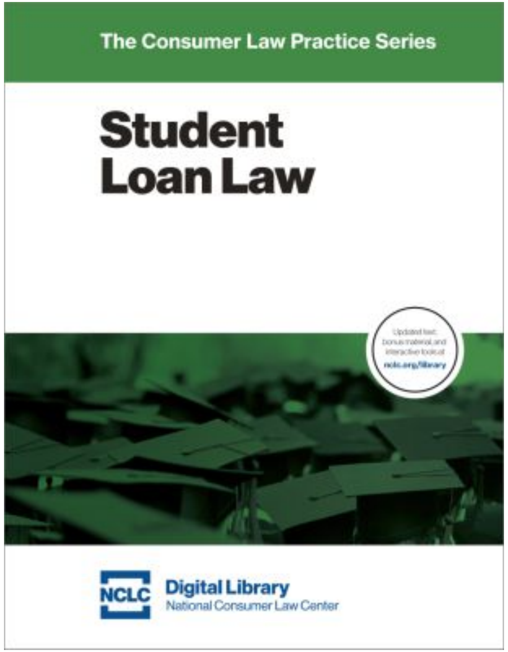
Find more information on our student loan website:

studentloanborrowerassistance.org



NCLC Student Loan Law Manual

Student loan regulations and policies are complicated. There is no one-size approach to managing student loan debt, but NCLC has resources to help you break it down.



About the Manual

A comprehensive guide navigating the rapidly evolving landscape of student loan laws, discharge programs, and enforcement strategies.

The manual covers all topics related to advising student loan borrowers, from the history of student loan programs, to managing repayment, default, loan forgiveness, and more.

How to Subscribe

Subscribe online or order the Print version of the manual:

library.nclc.org/Student-loan-law/subscribe

Housekeeping

Recording & Slides

This session is being **recorded**.

Slides and recording will be **sent to your email** after the presentation.

Materials are also posted on our student loan website training series landing page.

Questions & Answers

Please submit your **questions in the Q&A box**.

We will try to answer questions at the end of the presentation.

Additional answers will be sent in writing with the slides.

Survey & Certificate

The follow-up email will include a **short survey form**.

Complete the survey to receive a **certificate of attendance** for professional development self-reporting.

Training Series Landing Page:
studentloanborrowerassistance.org/for-advocates/training-upcoming-events/training-for-financial-counselors-other-professionals/

Today's topic: Repayment

Strategies and tools for counselors and advisors to help borrowers select a repayment path that works for them.

What Repayment Issues Are You Hearing From Clients?

"My Payment is Too High"

Clients may need help reducing their payments due to a loss in income, job loss, or rising living expenses.

"Can I Stop Paying?"

Clients may ask for ways to temporarily pause their payments (deferment or forbearance) without understanding the risks.

"Which Plan is Best?"

There is a lot of confusion about various plans and options, especially Income-Driven Repayment plans (IBR, PAYE, ICR, RAP).

New Changes Are Creating Chaos

SAVE Plan Termination

The end of the **SAVE plan** will affect millions of borrowers. New payments are often unaffordable—sometimes hundreds of dollars more per month.

Borrowers may face administrative and servicer hurdles trying to switch repayment plans.

Repayment System Changing Entirely

New rules on repayment went into effect July 1, 2026, creating two tracks for borrowers.

Newer plans are often more costly, while some older, sometimes more affordable options are being phased out entirely.

Default Cliff

An impending spike in student loan **defaults** threatens household financial stability. Escaping default is very difficult.

To collect defaulted debt, the government can seize tax refunds, garnish wages, and take a portion of Social Security benefits.

Borrowers Are Being Left Behind

43M

Americans Affected

Over 43 million student borrowers are currently navigating a chaotic, fast-changing repayment system.

Systemic Failures & Bad Advice

Servicers often provide incorrect information and bad advice, steering borrowers into costly plans.

Shrinking federal oversight leaves borrowers exposed errors and poor servicing.

Shrinking Support Systems

Budget cuts have reduced crucial safeguards and resources for resolving issues.

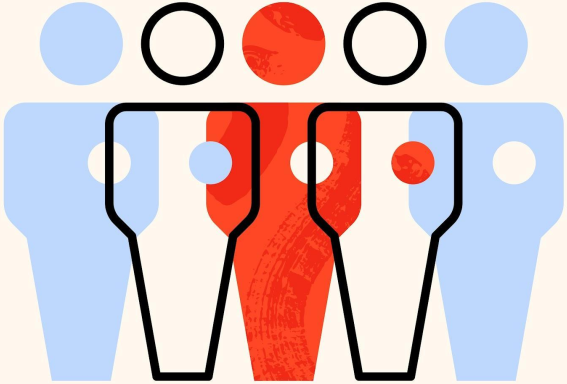
Meanwhile, very few nonprofit or legal services exist to provide expert guidance.

This Is Where You Come In

Empowering Borrowers Amidst Chaos

With student loan policies undergoing rapid changes, your expertise and help are **essential**.

By offering clear guidance and strategic support, you help borrowers avoid long-term financial consequences and get on the right track for managing repayment.



Basics of Federal Student Loan Repayment

Picking a plan

Entering Repayment

During School

Student loans are generally placed in an **automatic in-school deferment**.

Parent PLUS borrowers can **request a deferment** while their child is in school.

Grace Period

When borrowers leave college, they are usually given a **6-month grace period** before having to pay back their student loans.

Choosing a Plan

Borrowers are able to **select a repayment plan** before repayment begins.

Eligibility for various plans depends on **loan type & disbursement date**.

If they don't pick a plan, they are automatically enrolled in a **Standard or Tiered Standard plan**.

Changing Repayment Plans

Borrowers aren't stuck with the first plan they ended up in. If you're working with someone who is struggling with payments, they may be able to switch to a different plan.

Direct Loans

Can switch plans at any time and multiple times.

FFEL Loans

May change plans at least once per year (or anytime for IDR plans).

Key Limitation

Borrowers **cannot** switch to a plan if its max repayment period is shorter than time already spent in repayment (e.g., 12 years in repayment disqualifies from a 10-year Standard plan).

Two Major Categories of Repayment Plans

Fixed Repayment Plans

- Fixed monthly payments calculated via amortization schedules (**loan balance, interest rate, term**).
- Offers predictable payments and in some cases can be the **fastest payoff path** for those who can afford it.

Fixed Plans: Standard, Tiered Standard, Extended, and Graduated Plan.

Income-Driven Repayment (IDR) Plans

- Payments based on borrower's **income and family size**.
- Remaining balance **forgiven** after 20–30 years of qualifying payments.
- **Lower payments for many borrowers**, which helps **prevent default**.
- Necessary for **Public Service Loan Forgiveness (PSLF)**.
- **Recertify annually** (can recertify early for income or household changes).

Current IDR Plans: IBR, ICR, PAYE, SAVE, RAP

→ *SAVE, PAYE, and ICR are being phased out.*

Helping Borrowers Choose a Payment Plan

1. Loan Types

What loans do they have? Direct, FFEL, Perkins, Parent PLUS? Options vary by loan type.

2. Disbursement Dates

When were the loans disbursed? Disbursement dates impact plan eligibility, especially pre/post July 1, 2026.

3. Borrower's Goal

What's the goal – fast payoff, lowest payment, capping interest growth, maximizing loan forgiveness? A combination of these?

4. Pursuing PSLF?

Borrowers pursuing Public Service Loan Forgiveness must generally enroll in an IDR plan.

5. Default Risk

Determine if they are at risk of defaulting or have defaulted in the past. Consider a plan that prioritizes avoiding default.

6. IDR Credits

Check credit toward IDR cancellation – *remember the one-time adjustment*. Are they eligible for IDR cancellation? When could they be eligible?

How to Calculate Payments in Different Plans

Each payment plan has different rules and formulas for calculating monthly payment amounts.

Fixed Payment Plans

Designed to pay off the loan in a set number of years.

Payments based on:

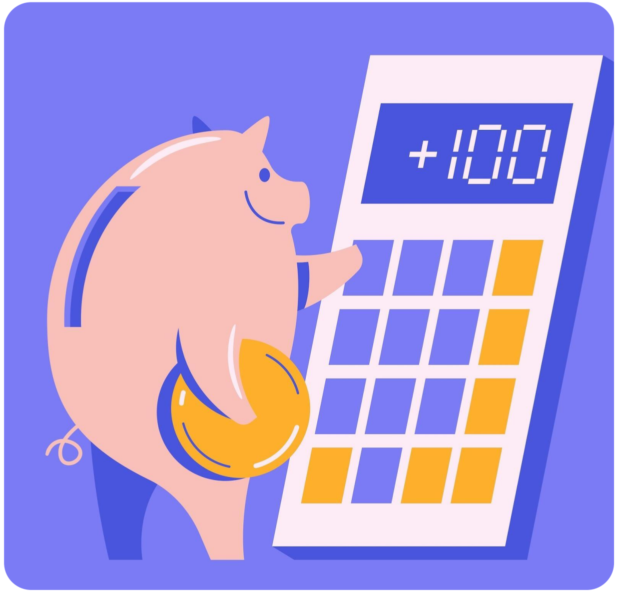
- Disbursement date
- Loan balance
- Interest rate & term
- Tax filing status (married borrowers)

Income-Driven (IDR) Plans

Based on a borrower's income and household size.

Payments based on:

- Household income & size
- Disbursement dates
- Total loan balance
- Interest rate
- Tax filing status (married borrowers)



For more details on plan calculations, visit studentaid.gov and studentloanborrowerassistance.org.

Tools to Help Calculate Payment Amounts

Department of Education Repayment Calculator

studentaid.gov/repayment-calculator/

Works best when logged in to **studentaid.gov**. Manual entries don't have an option to add disbursement dates, which effects calculations.

EDCAP Calculator

edcapny.org/resources-for-borrowers/repayment-plan-calculator/

Compares existing available plans (ICR, PAYE, and old/new IBR) as well as RAP.

NCLC Student Loan Law Manual

library.nclc.org/Student-loan-law/

Provides instructions on how to do the math and calculate accurate payment amounts to double-check estimates manually.

Bottomline: Always Check Payment Amounts

Loan servicers make the final payment determination and may make errors—always double-check! Advise borrowers that calculator estimates are not always identical to final official payment amounts.

Applying for Repayment Plans

How to Sign Up & Switch

Borrowers can sign up for and switch their loan **repayment plan** by contacting their loan servicer.

If they are signing up for (or switching to) an IDR plan, they can also apply online at **studentaid.gov/idr/** and via a paper application.

The servicer lets the borrower know their payment amount and due date after processing the application.

IDR Plans Require More Information

IDR plans require borrowers to provide information about their **income and family size**.

Applying online via **studentaid.gov** allows borrowers to link their IRS tax information directly, saving time and removing the need for manually uploading documents.

If a borrower hasn't filed taxes recently or their income has decreased, they can submit recent pay stubs or other documents to prove current income.

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What If the Payment Amount Is Wrong?

1. Escalate with Loan Servicer

They may have an internal ombuds team or complaint resolution team.

Find info here: freestudentloanadvice.org/ombudsman-list/

2. File with Dept. of Ed Ombuds

File an official complaint directly with the Department of Education ombuds team.

Submit feedback: studentaid.gov/feedback-center/

3. Connect with State Ombuds

Reach out to your state's student loan ombuds representative, if available in your area.

Find state help: studentloanborrowerassistance.org/for-borrowers/find-help/...

4. Contact Member of Congress

File a complaint with the constituent services office for your local member of Congress.

Use the casework tool: protectborrowers.org/resource/protect-borrowers-congressional...

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Making payments

Making & Managing Payments

Loan Servicers Handle Payments

The borrower makes payments directly to their **loan servicer**.

As long as the payments are made on-time and in full, they won't be at risk of **default**.

Generally, borrowers have to make payments in **one single repayment plan**, *but there are exceptions for FFEL, Perkins, and Parent PLUS borrowers.*

Managing Tasks & Support

If the borrower needs help with issues related to making their payments, including **changing payment due dates** or **signing up for auto pay**, they should contact their loan servicer.

They can also manage these tasks via their **online account** with their loan servicer.

Recertifying IDR Plans

Borrowers typically have to recertify **once a year**. Servicers set the recertification deadline.

Borrowers can **recertify early** if their income decreases and they want to try to get a lower payment.

Signing Up for Auto Pay

Interest Rate Benefits

Standard Benefit: A **0.25% reduction** in the borrower's interest rate, helping save money over time.

Temporary 1% Benefit: The Department of Education is offering a temporary **1% rate reduction** for borrowers who sign up for auto pay by September 30, 2026. Borrowers who are already enrolled in autopay will also get the benefit.

The 1% reduction ends June 30, 2028.

How to Sign Up for Auto Pay

Borrowers can set up auto pay by:

1. Going Online: Log in to their account on the loan servicer's website to sign up for auto pay.

2. Calling: Call their loan servicer directly to request and authorize auto pay enrollment.

What If a Borrower Misses Payments?

The Path to Default

If a borrower fails to make payments, they become **delinquent**. After 9 months of missed payments, they transition to **default status**.

Once a loan is in default, the loan will be transferred to a specialty servicer that handles defaulted loans. The **Default Resolution Group** currently services defaulted Direct Loans and other ED-held loan.

Note: Borrowers who defaulted but haven't yet been transferred to a default servicer can call their current servicer to ask for retroactive forbearance or apply for IDR to cure default **before** the loan is transferred.

Preventing Default

Work closely with borrowers who are falling behind to evaluate their choices early and avoid default entirely.

Options to Consider:

- **Switching payment plans** or adjusting payment due dates.
- Requesting a temporary **forbearance** or **deferment** to pause payments.

Note: Forbearances and deferments should be used sparingly, but may be necessary to avoid default.

Reflection & Real-World Scenarios

Let's put this into practice

Practice Scenario

Erica just graduated from college

She has **$27,000 in Direct Loans**. She is starting a job this month as **public school teacher**. She's seeing a lot of information online about loan payments, but she's worried she **won't be able to afford** them. She is going to start an evening Master's program in the spring and will be **taking out more loans** then to cover that.

How would you talk to Erica about her repayment strategy?

Practice Scenario

Erica just graduated from college

Erica just graduated from college. She has $27,000 in Direct Loans. She is starting a job this month as a public school teacher. She's seeing a lot of information online about loan payments, but she's worried she won't be able to afford them. She is going to start an evening Master's program in the spring and will be taking out more loans then to cover that.

How would you talk to Erica about her repayment strategy?

Answer

Erica is in her 6-month **grace period** and doesn't need to pay yet. If she doesn't select a repayment plan, before the grace period ends, she will be put in the **Standard plan**. As a teacher, she should explore **IDR plans** to qualify for **PSLF**. She can use the **Repayment Calculator** to assess her options. Because she took out her loans **before July 1, 2026**, she has access to more IDR plans, but if she takes out loans in the spring, she'll be limited to the **Tiered Standard Plan and RAP**. If she goes back to school, she'll likely be placed on an **in-school deferment,** but she can **opt out** if she wants to continue paying to earn PSLF credit.

Deep Dive on Repayment Changes

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What Are the July 1, 2026 Changes?

A number of changes went into effect on July 1, 2026, and more are coming over the next two years. We're covering just the **repayment changes** today. Other changes are covered on our blog at studentloanborrowerassistance.org.

Two Reasons for the Changes

- Enactment of the **One Big Beautiful Bill Act (OBBBA)**.
- Legal cases resulting in the elimination of the SAVE plan and Department of Education regulations from 2023.

Key Changes to Remember

- Repayment options now depend on whether a borrower takes out a **new Direct Loan** (or consolidates existing loans) **on or after July 1, 2026**.
- Borrowers on the **SAVE plan will need to switch plans** or will be placed on a Standard plan.

Why Are These Changes Important to Know?

Varying Affordability & Terms

Some repayment plans are **more affordable** than others, and some come with **more favorable** terms, such as a shorter timeline to loan forgiveness.

Significant Financial Impact

For some people, the difference between repayment options can be **hundreds of dollars**, if not more, per month.

Risk of Default

When people cannot afford payments, they risk defaulting, which has massive consequences like losing **tax refunds, wages,** and **Social Security benefits**.

Impact on Future Borrowing

Borrowers **taking out more loans** or **consolidating** now must know that doing so will change their loan repayment options, possibly making them **more expensive**.

Two Tracks for Borrowers

Borrower repayment options depend on whether they have loans disbursed on or after July 1, 2026.

Track 1: Pre-July 1, 2026 Loans

Legacy (existing) borrowers with no Direct Loans issued on or after July 1, 2026

Direct Loan Repayment Options:

- **IBR**
- **PAYE (until July 1, 2028)**
- **ICR (until July 1, 2028)**
- **Standard / Extended / Graduated / Alternative**
- **+ New RAP plan**

Track 2: Post-July 1, 2026 Loans

New and existing borrowers with new loans on/after July 1, 2026

Direct Loan Repayment Options:

- **RAP**
- **Tiered Standard Plan**

Borrowers with FFEL Loans may still access IBR, even if they have Post-July 1, 2026 Loans. Loans containing Parent PLUS Loans are not eligible for RAP.

Caution for Existing Borrowers

After July 1, 2026, legacy borrowers will permanently switch repayment tracks if they **take out a new Direct loan or consolidate an existing loan.**

Impact On Repayment Options

Switching tracks means they will lose access to legacy repayment options, leaving only:

- **Direct Loans:** RAP or Tiered Standard Plan
- **Any loan containing Parent PLUS:** Tiered Standard Plan (not eligible for PSLF or IDR cancellation).

What about SAVE borrowers?

SAVE is being eliminated. Borrowers still on the SAVE forbearance are being notified in waves that they need to switch plans. Read more about SAVE on our blog at studentloanborrowerassistance.org.

Timeline & Process

- **Notice to Switch:** On or after July 1st, borrowers in SAVE will get a notice from their servicer to switch plans.
- **90-Day Window:** Borrowers will have 90 days from the notice to apply for a different plan.
- **Time to Switch:** Notices are being sent in waves, so borrowers will be on different timelines. Some borrowers have already received them, others have not.

What's at Risk?

If borrowers don't switch plans, they will be automatically placed in a Standard plan—leading to **BIG jumps in monthly bills**.

- Borrowers in SAVE should be **making a plan to switch now**.
- Borrowers should **pay attention** to all notices they get from their servicers, so they don't miss their window.

Reflection & Real-World Scenarios

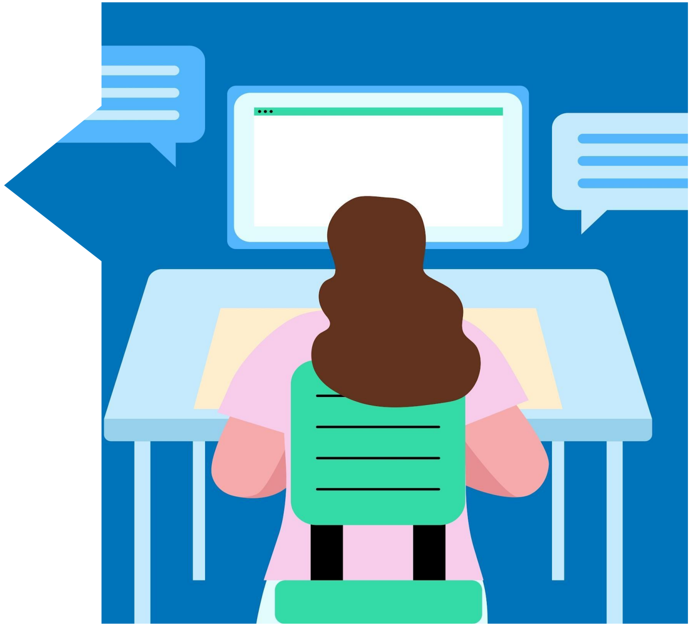
Let’s put this into practice

Practice Scenario

Ava is going back to school

Ava took out **Direct Loans** for an associate degree in 2018 but she did not complete her program. She entered repayment in 2020 and was enrolled in **IBR**. She just went back to school this semester and took out another Direct Loan to cover the costs.

What plans will Ava be eligible for to repay her loans when she finishes school?



Practice Scenario

Ava is going back to school

Ava took out **Direct Loans** for an associate degree in 2018 but she did not complete her program. She entered repayment in 2020 and was enrolled in **IBR**. She just went back to school this semester and took out another Direct Loan to cover the costs.

What plans will Ava be eligible for to repay her loans when she finishes school?

Answer

Ava will be considered a **new borrower** for repayment purposes and will have to repay all of her Direct Loans, even loans taken out before July 2026, on the **RAP** or the **Tiered Standard** plan.

Deep Dive on Current Repayment Plans

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Two Tracks of Borrowers

TRACK 1

Pre-July 1, 2026 Loans

Borrowers with only legacy (existing) loans issued before July 1, 2026.

TRACK 2

Post-July 1, 2026 Loans

Borrowers with any loans issued on or after July 1, 2026.

We're going to go over those tracks now, and then do a deep dive on the different plan details.

Track 1: Legacy Borrowers with Only Pre-July 1, 2026 Loans

TRACK 1 OVERVIEW

Pre-July 1, 2026 Loans

Legacy (existing) borrowers with no Direct Loans issued on or after July 1, 2026.

Fixed Plans

- **Standard**
- **Extended**
- **Graduated**
- **Alternative Repayment** *(at the discretion of ED)*

IDR Plans

- **IBR**
- **PAYE** ***(ends July 1, 2028)***
- **ICR** ***(ends July 1, 2028)***
- **+ New RAP Plan**

Note: *These are options for Direct Loans. FFEL and Perkins Loans have different options.*

Most Legacy Borrowers Won't Experience Any Immediate Changes

No Immediate Action Required For Most

Legacy borrowers in any plan except SAVE do not need to make immediate changes.

New RAP Option

Repayment options largely stay the same, with the newly added option of RAP.

Action Coming: PAYE & ICR Phase-Out

Borrowers on PAYE or ICR must switch before July 1, 2028, or they'll automatically be placed in RAP (except consolidated Parent PLUS Loans, which will be switched to IBR).

Track 2: Borrowers with Any Post-July 1, 2026 Loans

TRACK 2 OVERVIEW

Post-July 1, 2026 Loans

New and existing borrowers with any loans issued on or after July 1, 2026

Fixed Plans

- Tiered Standard Plan

IDR Plans

- RAP

Only Direct Loans are eligible. Loans containing Parent PLUS Loans are not eligible for RAP.

Note: *These are options for Direct Loans. FFEL and Perkins Loans have different options.*

Details on Fixed Plans

Track 1: Fixed Repayment Plans

Less Used Plans: Contact Servicer to Apply

Standard Plan

Term: Typically 10 years (10–30 years for some Consolidation Loans).

Payment:
Fixed monthly payments based on repayment term, loan balance, and interest rate.

PSLF:
Time in 10-year Standard Plan counts for PSLF. Not eligible for IDR cancellation.

Graduated

Term: Typically 10 years (10–30 years for some Consolidation Loans).

Payment:
Starts lower and increases every 2 years. Total paid is higher than Standard.

PSLF:
Not eligible for PSLF or IDR cancellation.

Extended

Term: Typically up to 25 years.

Eligibility:
Direct/FFEL with balance > $30k.

Payment:
Fixed or graduated. Higher overall cost.

PSLF:
Not eligible for PSLF or IDR.

Track 1: Fixed Plan – Alternative Repayment Plan

Rarely used, but may be useful in some cases–not guaranteed, at the discretion of ED

Overview

Rarely Used: A unique fixed plan for legacy borrowers who don't qualify for a longer repayment period through the Extended or the Standard plan for Direct Consolidation Loans

Case-by-Case: Loan servicers can offer this plan to eligible Direct Loan borrowers who don't have any post-July 1, 2026 loans.

Plan Terms

No Set Formula: Monthly payments are determined individually rather than by a fixed calculation.

30-Year Term: Must be fully repaid within thirty years, excluding deferments or forbearances.

Requirements

Application: Borrowers must contact their loan servicer directly to request plan.

Documentation: Requires proof of exceptional circumstances to qualify for the plan.

Track 2: Fixed Repayment Plan – Tiered Standard

Only borrowers with **Direct Loans** taken out or consolidated on or after July 1, 2026 are eligible. Payments in the Tiered Standard Plan **don't count for PSLF or IDR Cancellation**. Borrowers make fixed payments (**$50 minimum**) to repay their loan within a maximum repayment period determined by total principal balance:

Loan Balance	Repayment Period
Under $25k	**10 Years**
$25k – $49.9k	**15 Years**
$50k – $99.9k	**20 Years**
$100k or More	**25 Years**

Department of Education Informational Video: www.youtube.com/watch?v=sbwyWBvLeBw

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Details on IDR Plans

Track 1: Legacy IDR Plan – IBR

Loan Eligibility

FFEL Loans

All FFEL Loans taken out for borrower's own education are eligible.

Direct Loans

Eligible so long as borrower doesn't have any post-July 1, 2026 loans.

Parent PLUS Loans

Not usually eligible. However, if consolidated before July 1, 2026 and enrolled in ICR before July 1, 2028, they can switch to IBR—**huge benefit!**

Monthly Payments

Based on **discretionary income & disbursement date**. Discretionary income is difference between income and 150% of poverty guideline.

10% Discretionary Income: New IBR

For borrowers who began taking loans out after July 1, 2014.

15% Discretionary Income: Old IBR

For borrowers who began taking loans out before July 1, 2014.

Payments are capped at the 10-year Standard plan rate.

Forgiveness

Remaining loan balances are **fully canceled after 20 to 25 years**, depending on disbursement date.

New IBR: 20 Years

For loans taken out after July 1, 2014.

Old IBR: 25 Years

For loans taken out before July 1, 2014.

Time in PAYE, SAVE, and ICR counts toward forgiveness.

Time in RAP does NOT count!

Track 1: Legacy IDR Plans – PAYE & ICR

PAYE (Pay As You Earn)

Borrower Eligibility

Only Direct Loans taken out after Oct 1, 2011 (with no balance before Oct 1, 2007). No post-July 1, 2026 loans.

Monthly Payments

10% of discretionary income. Payments are capped at the 10-year Standard repayment plan.

Forgiveness

Forgiveness after **20 years** of payments.

ICR (Income-Contingent)

Borrower Eligibility

All Direct Loans taken out before July 1, 2026. Parent PLUS loans consolidated before July 1, 2026 are also eligible.

Monthly Payments

20% of discretionary income (for ICR, difference between income and 100% of poverty guideline).

Forgiveness

Forgiveness after **25 years**.

PAYE and ICR plans are being eliminated by July 1, 2028. Borrowers can switch to RAP or IBR plans (IDR credits are carried over). If they don't switch before that date, they'll be placed on RAP. Consolidated Parent PLUS Loans will be placed on IBR.

Track 1 & 2: New IDR Plan – RAP

Only certain types of loans are eligible for RAP.

Direct Loans

Eligible for RAP

Most Direct Loans are eligible for the RAP plan. Both legacy and new borrowers can enroll Direct Loans in RAP.

Parent PLUS

Not Eligible

Parent PLUS Loans, including Consolidation Loans that contain Parent PLUS Loans, do not qualify for RAP. But borrowers with both personal and Parent PLUS loans can split them.

For example, on Track 2, new borrowers with personal loans can be on RAP, while Parent PLUS loans are on the Tiered Standard Plan.

FFEL Loans

Not Eligible

FFEL Loans do not qualify for RAP. Borrowers with FFEL Loans can repay them under IBR, even if they have post-July 1, 2026 loans. FFEL Loans that are consolidated into Direct Consolidation Loans are eligible, but remember the risks of consolidating now.

Track 1 & 2: New IDR Plan – RAP

How Payments are Calculated

RAP payments are calculated as a percentage of total annual income (AGI), divided by 12, minus **$50/month** per dependent. RAP requires a minimum payment of **$10/month**.

Forgiveness

After **30 years** (360 payments). RAP credits don't transfer if the borrower switches IDR plans.

Married & Tax Filing Status

Filing Jointly: Combined income is used. Spousal income can bump borrower into a higher RAP bracket. If both spouses have loans, payment is reduced proportionally.

Filing Separately: Only individual income and student loans are used to determine payment.

Income Range	% of Income	Monthly Bill Range
Less than $10,000	N/A	**$10**
$10,000 to $20,000	1%	$10 - $16
$20,000 to $30,000	2%	$33 - $50
$30,000 to $40,000	3%	$75 - $100
$40,000 to $50,000	4%	$133 - $166
$50,000 to $60,000	5%	$208 - $250
$60,000 to $70,000	6%	$300 - $350
$70,000 to $80,000	7%	$408 - $466
$80,000 to $90,000	8%	$533 - $600
$90,000 to $100,000	9%	$675 - $750
More than $100,000	10%	**$833+**

Unique Aspects of RAP

Interest Waiver

A borrower's loan balance will **always decrease** while they're in the RAP plan and making on-time payments.

Any interest that accrues during a month that is not paid off via their monthly payment will be **completely waived**.

Principal Reduction

If the monthly payment does not reduce the principal by at least $50 on its own, the government will reduce principal by **up to $50**.

Note: This reduction will never exceed the total amount of the monthly payment.

You can't pay ahead to maximize benefits: Being in "paid ahead status" eliminates the interest waiver and principal reduction.

Who should consider RAP?

When RAP is a Good Option

No Balance Increase: With interest and balance reduction, RAP may be good for borrowers wanting to **limit the overall payback amount**.

Not Counting on Forgiveness: Best for those who plan to repay in full and can comfortably afford the payments.

When it may not be right

Higher Costs: Payments might be **more expensive** than other legacy IDR plans.

Forgiveness Timeline: May not be the best option for those counting on **forgiveness**; the timeline is longer (30 years).

Loan Eligibility: **FFEL, Perkins** and loans containing **Parent PLUS** are not eligible. Consolidating resets credit clocks, and FFEL loans lose IBR access.

Parent PLUS Warning: Parent PLUS loans aren't eligible even if consolidated. If consolidated now, they lose access to IDR and will be forced into Tiered Standard Plan.

Reflection & Real-World Scenarios

Let's put this into practice

Practice Scenario

Michael is interested in RAP

Michael is a single borrower with an AGI of $40,000 and one child.

How would we calculate his payment in RAP?

Practice Scenario

Michael is interested in RAP

Michael is a single borrower with an **AGI** of **$40,000** and **one child**.

How would we calculate his payment in RAP?

Income Range	% of Income	Monthly Bill Range
Less than $10,000	N/A	**$10**
$10,000 to $20,000	1%	$10 - $16
$20,000 to $30,000	2%	$33 - $50
$30,000 to $40,000	3%	$75 - $100
$40,000 to $50,000	4%	$133 - $166
$50,000 to $60,000	5%	$208 - $250
$60,000 to $70,000	6%	$300 - $350
$70,000 to $80,000	7%	$408 - $466
$80,000 to $90,000	8%	$533 - $600
$90,000 to $100,000	9%	$675 - $750
More than $100,000	10%	**$833+**

Practice Scenario

Michael's RAP Payment:

$50 / mo

3% RAP Bracket Placement

Step-by-Step Calculation

1. Determine Monthly Base Payment
3% of $40,000 AGI = $1,200 annually.
Monthly base payment = **$100** ($1,200 / 12 months).

2. Apply Dependent Reduction
Reduced by $50 for having one dependent child.
$100 base - $50 reduction = **$50 / month** final payment.

3. Bonus: Second Child Scenario
An additional child reduces payment by another $50 ($100 - $50 - $50 = $0), but RAP enforces a **$10 minimum payment**.

Special Circumstances & Reminders

Parent PLUS Borrowers

Legacy Parent PLUS Borrowers & IDR

- Existing Parent PLUS borrowers who **took certain steps before July 1, 2026**, may have ways to access and stay on IDR.
- Legacy Parent PLUS borrowers may still be able to access IDR if they:
    - consolidated *before* July 1, 2026; and
    - enroll and make one payment under ICR ***before*** July 1, 2028. *Once one payment is made in ICR, the borrower can then switch to PAYE or IBR if they choose.*
    - Once PAYE & ICR are eliminated, consolidated Parent PLUS Loans will be transitioned to IBR.

Ineligibility & Post-July 1, 2026 Rules

- Parent PLUS Loans are **not eligible for RAP**.
- Taking out or consolidating loans **after July 1, 2026**, means they'll lose access to IDR completely for any loans containing Parent PLUS Loans.
- Loans containing Parent PLUS loans are only eligible for the **Tiered Standard** plan.
- But if the borrower has other loans for their own education, those loans can be paid separately in RAP, so long as they are not combined with Parent PLUS Loans.

FFEL & Perkins Loans

FFEL & Perkins Loan Repayment Options:

- **FFEL:** Eligible for Standard, Extended, Graduated, and "Old IBR" (15%/25-yr) plans, even if the borrower has post-July 1, 2026 loans—*the Direct loans will be limited to RAP and Tiered Standard, but the FFEL loans can be paid in the other plans.*
- **Perkins Loans:** Eligible for limited repayment structures. Borrowers must contact their servicer directly to discuss available options.

Accessing New Plans & Critical Risks

- **Consolidation Path:** In order to access RAP or the Tiered Standard Plan, FFEL and Perkins loans must first be consolidated into a Direct Consolidation Loan.
- **High Risk Alert: Consolidation is very risky now** and may not be the best idea for many borrowers due to potential loss of benefits.
    - For example, a borrower with one $2,000 Perkins loan and $30,000 in older Direct Loans, will only be eligible for RAP & Tiered Standard Plan if they consolidate the Perkins Loan now—even if it is consolidated on its own.

What if No Payment Plan is Affordable

Forbearance & Deferment Options

Temporary Pause: Borrowers may need to consider forbearance or deferment to pause payments if no plan is affordable.

Interest Accrual: Interest usually continues to accrue, causing balances to grow.

No Forgiveness Credit: Time in these paused states doesn't usually count toward PSLF or IDR cancellation (some exceptions).

Contact Servicers: There are different types of deferments and forbearances for different situations. Contact the servicer to see if they are eligible.

Don't Forget Cancellation Programs

Loan Cancellation: Always check if the borrower is eligible for cancellation, such as Total and Permanent Disability Discharge.

Bankruptcy: Bankruptcy is difficult but not impossible for student loan borrowers. This is a last resort option and likely requires help from an experienced bankruptcy attorney. A special proceeding needs to be filed to discharge student loan debt.

Manage Default: Make sure borrowers understand consequences of defaulting. Student loan bills may have to take priority over other unsecured debt.

Major Changes & Critical Risks for Existing Borrowers

Key Transitions to Note

- **Elimination of SAVE:** happening now!
- **PAYE & ICR Phase-out:** Both plans will be eliminated by **July 1, 2028**.
- **New RAP plan available:** Available since July 1, 2026. RAP credits won't count towards other IDR plans, but other IDR credits will count towards RAP.

Consolidating & Taking Out New Loans

- Consolidating or taking a new Direct Loan after July 1, 2026, means Direct Loan repayment **options will change**.
- They will only be able to access the **RAP and Tiered Standard** plans.
- Parent PLUS borrowers will be **limited to Tiered Standard**.
- Post-June 2026 consolidation **resets all accumulated qualifying IDR time to zero**, potentially adding decades of payments.

Join Us In November For the Final Session

NOVEMBER

5

THURSDAY

1:00 to 2:30 pm ET

Resolving Common Student Loan Problems & Other FAQs

Don't miss our final session in our student loan training series. We'll be answering covering what to do when things go wrong and incorporating some of your most pressing questions throughout the series to leave you with practical solutions to student loan challenges.

QUESTIONS?