

HELPFUL INFORMATION FOR COMPLETING THE IBR ELIGIBILITY WORKSHEET

(worksheet can be found on the next page)

Step 1: The Partial Financial Hardship test looks at the ability to repay federal loans. Under current federal rules, the test is based on the monthly payment amounts for all IBR-eligible loans at the time these loans entered repayment, based on a standard, 10-year repayment schedule.

- For Stafford Loans, repayment begins after the end of the six-month grace period.
- Graduate PLUS Loans enter repayment immediately upon full disbursement.
- Federal Consolidation Loans generally enter repayment at time of disbursement.

The formula requires the standard payment amount, which is the amount required to repay the initial repayment balance of a borrower's loan(s) in equal installments over a 10-year period. Borrowers must use the original standard payment amount even if they began repaying their loan(s) under a different repayment plan (such as a graduated or extended repayment plan) or their monthly payment amount has changed for any reason since their loans entered repayment. To make sure borrowers are using the correct payment information, they should check their loan documents (including their original repayment disclosure) or contact their lender or loan servicer.

Step 2: The formula is based on a measure of the borrower's annual income and 12 months' worth of standard monthly payments. Multiply the number entered in Box 1 by 12.

Step 3: In Box 3, borrowers enter the Adjusted Gross Income (AGI) listed on their most recent federal tax return.

Please note that the IBR application process requires borrowers to grant their lender or loan servicer the right to receive certain federal tax information from the IRS. Their lender or servicer will use this information to confirm the borrower's AGI.

If the borrower is married and filed a joint tax return, the IBR calculation must take into account any spousal income included in the AGI. If the borrower is married and the borrower and spouse filed separate returns, the IBR eligibility calculation will be based on the borrower's AGI.

If a borrower's income has changed significantly since the tax return was filed, or the borrower has not recently filed a federal tax return, he/she should enter an estimate of current annual income in Box 3. Although the lender must first check the federal tax database to confirm the borrower's most recent AGI, the lender can use alternative documentation to determine the borrower's income. Borrowers who need to use alternative income documentation should contact their lender or loan servicer for details.

Step 4: In Box 4, borrowers enter the number of individuals in their household. If they are single and have no dependents, they should enter 1. If a borrower or a member of the household is pregnant, the household size may include the unborn child if he/she is expected to arrive during the year for which the borrower is seeking IBR eligibility. Other dependents may qualify in certain circumstances.

Step 5: In Box 5, borrowers indicate whether they live in Alaska, Hawaii, or the continental United States. The poverty income guidelines used by the hardship eligibility formula take into account the higher cost of living in Alaska and Hawaii. However, for borrowers who live outside the United States, federal rules require the formula to use the poverty guidelines for the continental United States.

Step 6: Borrowers find the corresponding poverty-income guideline for their state of residency and household size in the table at the bottom of the worksheet page and enter this amount in Box 6.

Step 7: Borrowers multiply the amount in Box 6 by 1.5, then place this amount in Box 7. The federal hardship formula uses 150% of the poverty-level income that corresponds to a borrower's location and household size.

Step 8: Borrowers subtract the amount in Box 7 from the amount in Box 3, then place this amount in Box 8. The formula measures the income a borrower has in excess of the amount needed to cover his or her basic living expenses.

Step 9: Borrowers multiply the amount in Box 8 by 15% and then place the result in Box 9. Under the hardship formula, borrowers are eligible for IBR if their eligible federal student loan payments exceed 15% of their discretionary income.

Steps 10 & 11: Borrowers determine if the amount in Box 2 exceeds the amount in Box 9. If it does, borrowers may be eligible for IBR.

Step 12: If borrowers are eligible for IBR, they can estimate their initial monthly payment under this plan by dividing the amount in Box 9 by 12. If the amount is less than \$5, the payment is \$0. If the payment is between \$5 and \$10, the payment will be \$10. The amount in Box 12 is the maximum monthly payment a borrower would make each month for all of the loans placed in IBR. If borrowers have IBR-eligible loans with more than one lender or loan servicer, their monthly payment will be allocated among their lenders, on a pro rata basis. Borrowers should inform each servicer about any loans they have with other lenders.

IBR eligibility and monthly payment worksheet

IBR is available to those experiencing Partial Financial Hardship. Borrowers can estimate their IBR eligibility by completing this worksheet. Borrowers should contact their lenders or loan servicers to confirm their eligibility and IBR monthly payment amount.*

		Example	Your IBR Eligibility Calculations
1	Total of the initial monthly payments for all your eligible federal loans—under the standard 10-year level repayment plan at the start of repayment for each loan—for example, at the end of your grace period for your Stafford loans. Includes Subsidized and Unsubsidized Stafford Loans, Graduate PLUS Loans, and Federal Consolidation Loans that did not include a Parent PLUS Loan. Do not include any defaulted loans. Check your loan documents or contact your loan servicer for assistance.	\$197	\$ _____
2	12 months worth of your initial standard monthly payments: 12 X the amount in Box 1.	\$2,364	\$ _____
3	The AGI reported on your most recent federal tax return. If you are married and filed a joint return, federal rules require you to include your spouse's income as well as yours. You can use alternative income documentation if you do not have a recent federal tax return or your current income is significantly different from your most recent AGI. Contact your lender or loan servicer for details.	\$20,000	\$ _____
4	Number of individuals in your household.	1	
5	Where do you live: Alaska, Hawaii or continental United States?	Continental U.S.	
6	HHS poverty guideline for your household —Select appropriate poverty guideline from table below.	\$10,830	\$ _____
7	150% of your poverty guideline —Multiply the amount in Box 6 by 1.5.	\$16,245	\$ _____
8	AGI Above 150% of your poverty guideline —Amount in Box 3 minus amount in Box 7.	\$3,755	\$ _____
9	15% of AGI above 150% of your poverty guideline —Multiply the amount in Box 8 by 15%.	\$563	\$ _____
10	Do your annual loan payments exceed 15% of your AGI after subtracting 150% of your poverty guideline? That is, does the amount in Box 2 exceed the amount in Box 9?	Yes	
11	If the answer in Box 10 is "Yes", you appear to be eligible for the IBR. Eligible borrowers may enroll in the IBR on or after July 1, 2009. Please contact your loan servicer to confirm eligibility and for details on how to enroll.	IBR Eligible*	
12	Your IBR payment = 1/12th of your available income —that is, 15% of the amount of AGI remaining after subtracting 150% of your poverty guideline. Divide the amount in Box 9 by 12.	\$47	\$ _____

HHS Poverty Guidelines for 2009

Household Size	Contiguous 48 States**	Alaska	Hawaii	
1	\$10,830	\$13,530	\$12,460	Tip: Your household size includes yourself, a spouse, and any dependent children, including a child who is expected to be born during the year you are seeking to enroll under the IBR.
2	\$14,570	\$18,210	\$16,760	
3	\$18,310	\$22,890	\$21,060	
4	\$22,050	\$27,570	\$25,360	
5	\$25,790	\$32,250	\$29,660	
6	\$29,530	\$36,930	\$33,960	
7	\$33,270	\$41,610	\$38,260	
8	\$37,010	\$46,290	\$42,560	
For each extra person in household, add:				
	\$3,740	\$4,680	\$4,300	

*This worksheet provides only an estimate of whether a borrower will be eligible to use the IBR. Eligibility for the IBR can only be confirmed by the borrower's lender or loan servicer after the borrower submits the necessary information and the borrower's income has been confirmed.

**Borrowers who live outside the United States should use the poverty guidelines for the contiguous 48 states.