

Hypothetical # 1:

Married borrowers filing taxes jointly who both have federal student loans filing for an IDR Plan:

Current rules:

- One payment is calculated based on the combined Adjusted Gross Income (AGI) reported on the last tax return.
- The payment is then allocated pro-rata based on the percentage of debt held by the applicant and spouse.
- The applicant gets this payment adjustment regardless of the repayment plan the spouse chooses (i.e., the applicant can choose the IBR plan and the spouse can choose a different IDR plan or a standard plan and the applicant will still get the payment adjustment) except for ICR where both parties must agree to pay in that plan for either to get the adjustment.

Example:

- Combined 2024 AGI = \$110,000
- Family size = 4 (2 children)
- Total Debt Balance: \$128,000
 - Applicant = \$78,000 (61%)
 - Spouse = \$50,000 (39%)
- Applicant wants to pay in the IBR plan for new borrowers (10% of discretionary income).
- Total Payment based on combined AGI = \$515
 - Applicant payment = \$314 (61% of \$515)
 - Spouse payment = \$201 (39% of \$515) (If they choose to pay in the same plan)
- The current system ensures that the maximum IDR payment a couple filing jointly would make between the two of them would be based on no more than their combined income.
- If this payment adjustment was not available, both applicant & spouse would pay \$515 or a total of \$1,030 which is tantamount to making a payment based on an income of about \$172,000 (56% more than their actual combined income).

Hypothetical # 2:

Weighted average payment adjustments for clients who have Direct loans and FFEL loans. The Direct Loans are enrolled in RAP, the FFEL loans in IBR (15%).

Example:

- 2024 AGI = \$46,000
- Marital Status = Head of Household
- Family Size (for IBR) = 2
- # Dependents (for RAP) = 1
- Total Loan Balance = \$101,000
 - FFEL Balance (In IBR 15%) = \$45,000 (45% of total)
 - Direct Balance (In RAP) = \$56,000 (55% of total)
- ED should apply a weighted average adjustment to the total payment as follows:

Loan Type	Loan Balance	% Total	Repayment Plan	Monthly Payment (Full)	Wtd Avg Monthly Payment *
FFEL	45,000	45%	IBR (15%)	178	79
Direct	56,000	55%	RAP	103	57
Total	101,000	100%	-	281	136

* Weighted Average Payment = Full payment x % total debt

- Without this adjustment, this client would pay \$281 vs. \$136. \$281 is the equivalent of a full payment in IBR (15%) based on an income of \$56,200 (22% more than the actual income) or a full payment in RAP based on an income of \$66,000 (43% more than the actual income).