THE VOICE OF DENTAL EDUCATION

Repayment Plans for Federal Student Loans

In general, federal student loans come due six months after graduation. Your loan servicer—the third party assigned by the U.S. Department of Education (your lender) to work with you in repayment—should contact you well in advance of your initial due date, providing various repayment options for you.

One simple way to approach choosing a repayment plan is to find a plan where the required minimum payment is comfortable and affordable; you can then decide whether to make minimum payments or pay more than the minimum required payment amount, and if so, in what amount. Many borrowers post additional payments against their highest rate loan, which for many is the direct PLUS (aka Grad PLUS), this helps pay down the debt faster.

While there are multiple types of repayment plans on federal loans (direct subsidized and unsubsidized, direct PLUS, direct consolidation), they all fall into two categories, and since these are federal repayment plans, they are offered by all loan servicers:

Time-driven repayment

- Payment calculation based on amount due at repayment (principal and any accrued and unpaid interest) spread out over 10 years or 25 years.
- Payment calculation has nothing to do with income, marital or tax filing status, or family size.
- Payments never change unless you choose a graduated version of these plans.
- Payments always cover more than outstanding monthly interest.
- You will be debt free by the end of the term by making minimum payments, but you can shorten the term and save interest costs by making additional payments. There is never a penalty for aggressive repayment.

Income-driven repayment

- Designed for borrowers who have a significant gap between federal student loan debt and income and who cannot afford payments under time-driven plans.
- Payment calculation is based on a federal formula that looks at your income and family size.
- Once calculated, payments are good for 12-months, and your loan servicer will notify you toward the end of the 12-month period that it is time to renew (recertify) your payment amount.
- In general, the income used in the calculation is based on income from your most recently filed tax return, so payments lag a year. Your current income may be used if you did not file a return for the prior year or if your current income is significantly less than that reported on your most recent return.
- Please see the IDR Comparison Chart in the Repayment section of Financial Resources for important information on the various income plans.

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