

Federal Student Loan Repayment Options

*A digestible breakdown of current federal repayment plans
Current as of September 2026*

Federal student loan repayment can feel like alphabet soup — IBR, PAYE, ICR, RAP. This guide breaks down every current plan in one place: how each one calculates your payment, how long until any remaining balance is forgiven, which plans are being phased out (and when), and the loan-disbursement-date cutoffs that determine what you're even eligible for. This is general information for educational purposes about how the federal system works — it is not personalized advice, and repayment plan rules can change. Always confirm current details at studentaid.gov, your servicer, and/or your financial advisor.

1. The Big Picture: Two Categories of Plans

Every federal repayment plan falls into one of two categories:

- **Income-Driven Repayment (IDR)** — your payment is calculated from your income (and sometimes family size), and any remaining balance is forgiven after a set number of years.
- **Fixed/Standard-style plans** — your payment is based purely on your loan balance and a repayment term, not your income. These plans pay the loan off completely — there is no forgiveness.

2. Income-Driven Repayment (IDR) Plans

Income-driven repayment plans set your monthly payment based on your income (and, for most plans, your family size) rather than your loan balance — and forgive any remaining balance after a set number of years of qualifying payments. There are currently four IDR plans. Each has its own payment formula, forgiveness timeline, and eligibility rules.

Income-Based Repayment (IBR)

- **Payment:** 10% of discretionary income (loans first taken on/after July 1, 2014) or 15% (older loans)
Discretionary income = AGI minus 150% of the federal poverty guideline for your family size
*This can be calculated automatically using the Loan Simulator at studentaid.gov.
(See the reference chart at the end of this guide for 150% poverty guideline amounts by family size.)*
- **Payment cap:** Yes. Will never exceed what you'd pay on the 10-year Standard plan.
- **Forgiveness:** 20 years (New IBR) or 25 years (Old IBR)
- **Interest capitalization:** Unpaid interest does NOT capitalize while you stay on IBR — but it **DOES** capitalize (get added to principal) the moment you leave the plan or miss a recertification deadline.
- **Eligibility gate:** N/A — OBBBA removed IBR's partial financial hardship requirement, so there's no longer an entry test to qualify.
- **Eligibility cutoff:** Available to any Direct Loan borrower whose loans were all disbursed before July 1, 2026. Borrowers with a first loan on/after that date cannot access IBR.
- **Status:** Permanent. The only IDR plan guaranteed to exist long-term.

Pay As You Earn (PAYE)

- **Payment:** 10% of discretionary income — regardless of when you borrowed your loans.
- **Payment cap:** Yes. Will never exceed what you'd pay on the 10-year Standard plan.
- **Forgiveness:** 20 years
- **Interest capitalization:** Unpaid interest never capitalizes on PAYE — not while enrolled, not when you leave, not on a missed recertification. This is PAYE's main practical advantage over IBR.
- **Eligibility gate:** Your calculated PAYE payment must come out lower than your Standard 10-year payment would be — a stricter entry test than IBR now has.
- **Eligibility cutoff:** Closing soon — new enrollment ends July 1, 2027, and existing enrollees must transition off PAYE entirely by July 1, 2028 (automatically moved to IBR or RAP).
- **Status:** SUNSETTING.

Income-Contingent Repayment (ICR)

- **Payment:** 20% of discretionary income, or a fixed 12-year amortized amount — whichever is lower.
- **Payment cap:** None — unlike IBR/PAYE, an ICR payment can end up higher than the Standard 10-year payment amount.
- **Forgiveness:** 25 years
- **Interest capitalization:** Does not capitalize under current rules — unpaid interest accrues but stays separate from principal (unlike IBR).
- **Eligibility gate:** N/A — available to any Direct Loan borrower. Notably, it's the only IDR plan Parent PLUS loans can ever reach — but only after first being consolidated into a Direct Consolidation Loan.
- **Eligibility cutoff:** Same closing timeline as PAYE — new enrollment ends July 1, 2027; existing enrollees must transition off by July 1, 2028.
- **Status:** SUNSETTING.

Repayment Assistance Plan (RAP) — New for 2026

- **Payment:** A tiered percentage of your full Adjusted Gross Income (AGI) — NOT reduced by a poverty-line exemption the way IBR/PAYE are.
Brackets range from a \$10/month minimum (AGI under \$10,000) up to 10% of AGI (AGI over \$100,000), rising roughly 1% per \$10,000 bracket in between.
Monthly payment reduced by \$50 for each dependent
- **Payment cap:** None. At higher incomes, a RAP payment can be more than the Standard 10-year payment amount.
- **Forgiveness:** 30 years (Longest of any current plan)
- **Interest capitalization:** Unpaid interest is waived automatically each month rather than capitalized, and the government adds a guaranteed \$50/month toward principal regardless of your payment amount.
- **Eligibility gate:** Available to all Direct Loan borrowers.
- **Eligibility cutoff:** Available to everyone. It is also the ONLY income-driven option for anyone whose first federal loan was disbursed on or after July 1, 2026.
- **Status:** Active — launched July 1, 2026.

IDR Plans at a Glance

Plan	Payment Formula	Forgiveness	Status
IBR	10% or 15% of discretionary income (dep on when you borrowed)	20 or 25 yrs	Permanent
PAYE	10% of discretionary income	20 yrs	Sunsetting — closes 7/1/2028
ICR	20% of discretionary income or fixed 12-yr amount	25 yrs	Sunsetting — closes 7/1/2028
RAP	Tiered % of full AGI	30 yrs	Active — launched 7/1/2026

3. Fixed (Non-Income-Driven) Plans

These plans are not based on income — they are designed to pay off your loan balance completely within a set number of years.

Standard Repayment Plan

- Fixed monthly payment, generally over a 10-year term (longer for consolidation loans, up to 30 years).
A consolidation loan combines multiple federal loans into a single new loan with one monthly payment, which is why its repayment term can run longer than a standalone loan's.
- No forgiveness — pay the loan to zero. Usually the least total interest paid, but the highest monthly payment.
- **Eligibility:** Available only to borrowers whose loans were disbursed before July 1, 2026.

Tiered Standard Repayment Plan — New for 2026

- Fixed monthly payment, but the term (10/15/20/25 years) scales automatically with the size of your balance.
- No forgiveness. Replaces the old Standard plan for new borrowers.
- **Eligibility:** The required plan (along with RAP) for anyone whose first federal loan is disbursed on or after July 1, 2026.
Also a default landing spot for borrowers who don't actively choose a plan after leaving prior forbearance periods

Extended Repayment Plan

- Stretches the term up to 25 years. Requires at least \$30,000 in Direct Loan debt.
- No forgiveness. Fixed or graduated payment option available.
- **Eligibility:** Available to Direct Loan borrowers with at least \$30,000 in outstanding Direct Loan debt, whose first loan was disbursed before July 1, 2026.

Graduated Repayment Plan

- Payments start low and increase every two years, typically over a 10-year term (up to 25 years if combined with Extended — see below).
- No forgiveness. Designed around the assumption that income rises over a career.
- **Eligibility:** Available to any Direct Loan borrower whose first loan was disbursed before July 1, 2026 — no minimum balance required.

Extended Graduated Repayment

- Combines both features above: a stretched term (up to 25 years) with payments that start low and step up every two years. No income documentation required, no forgiveness — the loan is paid off in full.
- Sometimes used as a later-career move after an income-driven plan, once income has grown enough that a fixed graduated schedule ends up cheaper than a percentage-of-income payment.
- **Eligibility:** Same as Extended — at least \$30,000 in Direct Loan debt — combined with the Graduated payment structure. Available only for loans disbursed before July 1, 2026.

4. Key Restrictions & Cutoff Dates to Know

Date / Rule	What It Means
Loans disbursed before 7/1/2026	BR, RAP, Standard, Extended, Graduated, and (temporarily) PAYE/ICR.
First loan disbursed on/after 7/1/2026	RAP and Tiered Standard are the only options.
7/1/2027 – 7/1/2028	PAYE and ICR close to new enrollment on 7/1/2027 and shut down entirely on 7/1/2028. Anyone still enrolled is auto-moved to IBR or RAP, unless they choose otherwise
Leaving IBR	All unpaid interest capitalizes (gets added to principal) the moment you switch off IBR or miss a recertification deadline.
Leaving PAYE, ICR, or RAP	Unpaid interest does NOT capitalize when leaving these plans
Switching FROM RAP TO IBR	Months spent on RAP generally do not count toward IBR's 20/25-year forgiveness clock.
Switching FROM IBR TO RAP	Qualifying months already made on IBR DO carry over and count toward RAP's 30-year clock.
Annual recertification	Every IDR plan requires re-submitting income/family size yearly. Missing the deadline can spike your payment to the Standard amount and, on IBR, trigger capitalization.
FFEL / Perkins loans	Not directly eligible for most IDR plans — must be consolidated into a Direct Consolidation Loan first.

5. A Note on Forgiveness & Taxes

From 2021–2025, a provision in the American Rescue Plan Act made IDR-forgiven balances exempt from federal income tax. That provision expired December 31, 2025. As of 2026, any balance forgiven under IBR, PAYE, ICR, or RAP is treated as taxable income in the year it's forgiven — borrowers typically receive a 1099-C and must report the forgiven amount on their tax return. Public Service Loan Forgiveness (PSLF) operates under separate rules and is not affected by this change. This is a significant planning consideration for anyone counting on IDR forgiveness rather than paying a loan off in full.

6. Reference: 150% Federal Poverty Guidelines by Family Size (2026)

IBR and PAYE both calculate "discretionary income" as AGI minus 150% of the federal poverty guideline for your family size. The table below shows that 150% threshold for the 48 contiguous states and DC. (Alaska and Hawaii use higher guidelines — see note below.)

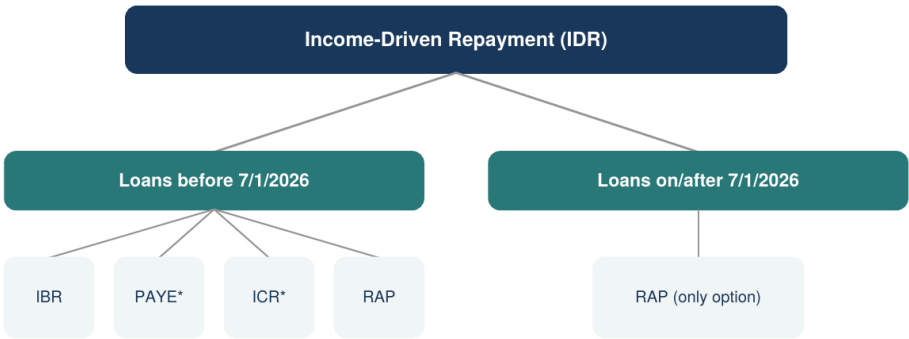
Family Size	2026 Federal Poverty Guideline (100%)	150% of Guideline
1	\$15,960	\$23,940
2	\$21,640	\$32,460
3	\$27,320	\$40,980
4	\$33,000	\$49,500
5	\$38,680	\$58,020
6	\$44,360	\$66,540
7	\$50,040	\$75,060
8	\$55,720	\$83,580
Each additional person	+ \$5,680	+ \$8,520

Alaska: 100% guideline starts at \$19,950 (family of 1), adding \$7,100 per additional person — 150% values are 1.5× these figures. Hawaii: 100% guideline starts at \$18,360 (family of 1), adding \$6,530 per additional person — 150% values are 1.5× these figures. Guidelines are issued annually by the U.S. Department of Health and Human Services and are updated most years, so always confirm the current-year figures before relying on a specific calculation.

7. Plan Selection Flowcharts

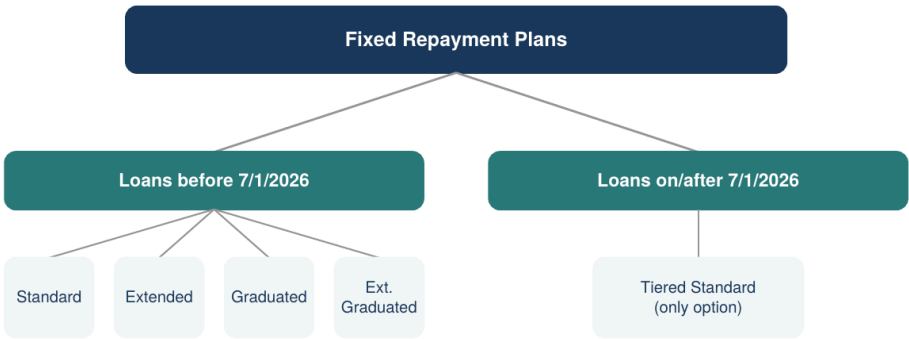
These diagrams summarize the decision points covered in this guide

Income-Driven Repayment (IDR) — Plan Selection

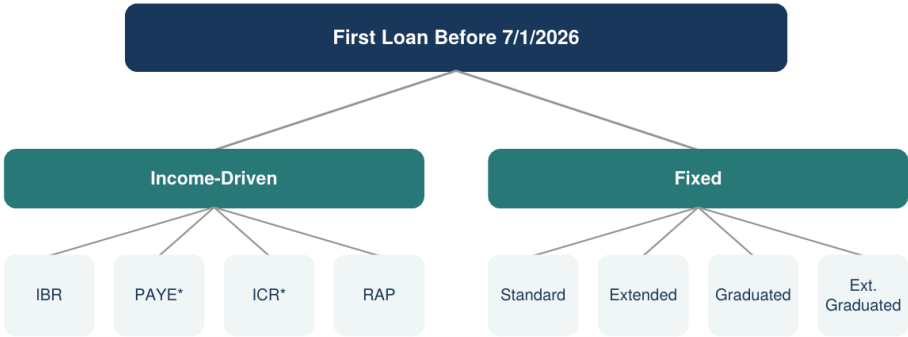


**PAYE and ICR close to new enrollment 7/1/2027 and shut down entirely 7/1/2028.*

Fixed (Non-Income-Driven) Repayment — Plan Selection

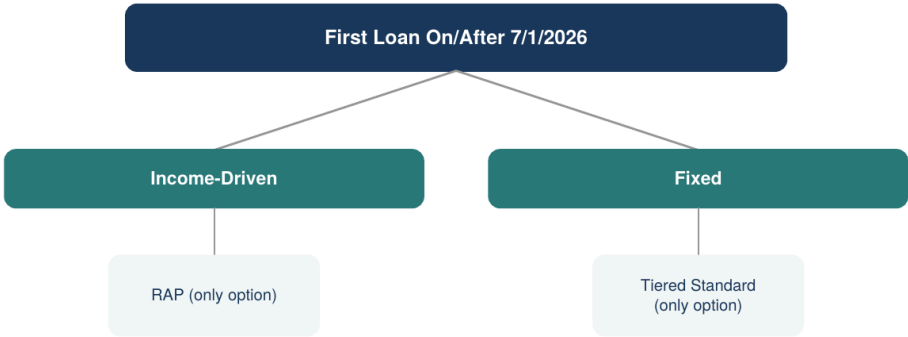


All Options — First Loan Disbursed Before July 1, 2026



*PAYE and ICR close to new enrollment 7/1/2027 and shut down entirely 7/1/2028.

All Options — First Loan Disbursed On/After July 1, 2026



This guide summarizes federal repayment rules as of September 2026. Program rules, poverty guidelines, and interest rates are updated periodically by the U.S. Department of Education. This document is educational information only, not financial or legal advice — confirm current details and run your own numbers at studentaid.gov before choosing or switching plans. Always confirm current details at studentaid.gov, your servicer, and/or your financial advisor.