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DEPARTMENT OF EDUCATION

Annual Updates to the Income Contingent Repayment (ICR) Plan Formula for 2019--William D. Ford Federal Direct Loan Program

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

SUMMARY: The Secretary announces the annual updates to the ICR plan formula for 2019 to give notice to borrowers and the public regarding how monthly ICR payment amounts will be calculated for the 2019-2020 year under the William D. Ford Federal Direct Loan (Direct Loan) Program, Catalog of Federal Domestic Assistance number 84.063.

DATES: The adjustments to the income percentage factors for the ICR plan formula contained in this notice are applicable from July 1, 2019, to June 30, 2020, for any borrower who enters the ICR plan or has his or her monthly payment amount recalculated under the ICR plan during that period.

FOR FURTHER INFORMATION CONTACT: Ian Foss, U.S. Department of Education, 830 First Street, NE, room 113H2, Washington, DC 20202. Telephone: (202) 377-3681. Email: [ian.foss@ed.gov](mailto:ian.foss@ed.gov).

If you use a telecommunications device for the deaf (TDD) or a text telephone (TTY), call the Federal Relay Service, toll free, at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:

Under the Direct Loan Program, borrowers may choose to repay their non-defaulted loans (Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans) under the ICR plan. The ICR plan bases the borrower's repayment amount on the borrower's income, family size, loan amount, and the interest rate applicable to each of the borrower's loans.

ICR is one of several income-driven repayment plans. Other income-driven repayment plans include the Income-Based Repayment (IBR) plan, the Pay As You Earn Repayment (PAYE) plan, and the Revised Pay As You Earn Repayment (REPAYE) plan. The IBR, PAYE, and REPAYE plans provide lower payment amounts than the ICR plan for most borrowers.

A Direct Loan borrower who repays his or her loans under the ICR plan pays the lesser of: (1) the amount that he or she would pay over 12 years with fixed payments multiplied by an income percentage factor; or (2) 20 percent of discretionary income.

Each year, to reflect changes in inflation, we adjust the income percentage factor used to calculate a borrower's ICR payment, as required by 34 CFR 685.209(b)(1)(ii)(A). We use the adjusted income percentage factors to calculate a borrower's monthly ICR payment amount when the borrower initially applies for the ICR plan or when the borrower submits his or her annual income documentation, as required under the ICR plan. This notice contains the adjusted income percentage factors for 2019, examples of how the monthly payment amount in ICR is calculated, and charts showing sample repayment amounts based on the adjusted ICR plan formula. This information is included in the following three attachments:

- Attachment 1--Income Percentage Factors for 2019
- Attachment 2--Examples of the Calculations of Monthly Repayment Amounts
- Attachment 3--Charts Showing Sample Repayment Amounts for Single and Married Borrowers

In Attachment 1, to reflect changes in inflation, we updated the income percentage factors that were published in the *Federal Register* on August 2, 2018 (83 FR 37802). Specifically, we have revised the table of income percentage factors by changing the dollar amounts of the

incomes shown by a percentage equal to the estimated percentage change between the not-seasonally-adjusted Consumer Price Index for all urban consumers for December 2018 and December 2019.

The income percentage factors reflected in Attachment 1 may cause a borrower's payments to be lower than they were in prior years, even if the borrower's income is the same as in the prior year. The revised repayment amount more accurately reflects the impact of inflation on the borrower's current ability to repay.

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) on request to the contact person listed under FOR FURTHER INFORMATION CONTACT.

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Format (PDF). To use PDF, you must have Adobe Acrobat Reader, which is available free at this site.

You may also access documents of the Department published in the *Federal Register* by using the article search feature at [www.federalregister.gov](http://www.federalregister.gov). Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Program Authority: 20 U.S.C. 1087 et seq.

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Mark A. Brown,  
*Chief Operating Officer,*  
*Federal Student Aid.*

Attachment 1--Income Percentage Factors for 2019

Income Percentage Factors for 2019			
Single		Married/ Head of Household	
Income	% Factor	Income	% Factor
\$12,147	55.00%	\$12,147	50.52%
\$16,714	57.79%	\$19,165	56.68%
\$21,506	60.57%	\$22,839	59.56%
\$26,407	66.23%	\$29,858	67.79%
\$31,087	71.89%	\$36,989	75.22%
\$36,989	80.33%	\$46,460	87.61%
\$46,460	88.77%	\$58,268	100.00%
\$58,269	100.00%	\$70,081	100.00%
\$70,081	100.00%	\$87,800	109.40%
\$84,229	111.80%	\$117,322	125.00%
\$107,852	123.50%	\$158,657	140.60%
\$152,755	141.20%	\$221,889	150.00%
\$175,147	150.00%	\$362,583	200.00%
\$311,967	200.00%	-	-

Attachment 2--Examples of the Calculations of Monthly Repayment Amounts

General notes about the examples in this attachment:

- We have a calculator that borrowers can use to estimate what their payment amounts would be under the ICR plan. The calculator is called the "Repayment Estimator" and is available at [StudentAid.gov/repayment-estimator](http://StudentAid.gov/repayment-estimator). Based on information inputted into the calculator by the borrower (for example, income, family size, and tax filing status), this calculator provides a detailed,

individualized assessment of a borrower's loans and repayment plan options, including the ICR plan.

- The interest rates used in the examples are for illustration only. The actual interest rates on an individual borrower's Direct Loans depend on the loan type and when the postsecondary institution first disbursed the Direct Loan to the borrower.

- The Poverty Guideline amounts used in the examples are from the 2019 U.S. Department of Health and Human Services (HHS) Poverty Guidelines for the 48 contiguous States and the District of Columbia. Different Poverty Guidelines apply to residents of Alaska and Hawaii. The Poverty Guidelines for 2019 were published in the *Federal Register* on February 1, 2019 (84 FR 1167).

- All of the examples use an income percentage factor corresponding to an adjusted gross income (AGI) in the table in Attachment 1. If an AGI is not listed in the income percentage factors table in Attachment 1, the applicable income percentage can be calculated by following the instructions under the "Interpolation" heading later in this attachment.

- Married borrowers may repay their Direct Loans jointly under the ICR plan. If a married couple elects this option, we add the outstanding balance on the Direct Loans of each borrower and we add together both borrowers' AGIs to determine a joint ICR payment amount. We then prorate the joint payment amount for each borrower based on the proportion of that borrower's debt to the total outstanding balance. We bill each borrower separately.

- For example, if a married couple, John and Sally, has a total outstanding Direct Loan debt of \$60,000, of which \$40,000 belongs to John and \$20,000 to Sally, we would apportion 67 percent of the monthly ICR payment to John and the remaining 33 percent to Sally. To take advantage of a joint ICR payment, married couples need not file taxes jointly; they may file separately and subsequently provide the other spouse's tax information to the borrower's Federal loan servicer.

Calculating the monthly payment amount using a standard amortization and a 12-year repayment period.

The formula to amortize a loan with a standard schedule (in which each payment is the same over the course of the repayment period) is as follows:

$$M = P \times \langle (I \div 12) \div [1 - \{1 + (I \div 12)\}^{-N}] \rangle$$



In the formula--

- M is the monthly payment amount;
- P is the outstanding principal balance of the loan at the time the calculation is performed;
- I is the annual interest rate on the loan, expressed as a decimal (for example, for a loan with an interest rate of 6 percent, 0.06); and
- N is the total number of months in the repayment period (for example, for a loan with a 12-year repayment period, 144 months).

For example, assume that Billy has a \$10,000 Direct Unsubsidized Loan with an interest rate of 6 percent.

Step 1: To solve for M, first simplify the numerator of the fraction by which we multiply P, the outstanding principal balance. To do this divide I, the interest rate, as a decimal, by 12. In this example, Billy's interest rate is 6 percent. As a decimal, 6 percent is 0.06.

- $0.06 \div 12 = 0.005$

Step 2: Next, simplify the denominator of the fraction by which we multiply P. To do this divide I, the

interest rate, as a decimal, by 12. Then, add one. Next, raise the sum of the two figures to the negative power that corresponds to the length of the repayment period in months. In this example, because we are amortizing a loan to calculate the monthly payment amount under the ICR plan, the applicable figure is 12 years, which is 144 months. Finally, subtract the result from one.

- $0.06 \div 12 = 0.005$
- $1 + 0.005 = 1.005$
- $1.005^{-144} = 0.48762628$
- $1 - 0.48762628 = 0.51237372$

Step 3: Next, resolve the fraction by dividing the result from Step 1 by the result from Step 2.

- $0.005 \div 0.51237372 = 0.0097585$

Step 4: Finally, solve for M, the monthly payment amount, by multiplying the outstanding principal balance of the loan by the result of Step 3.

- $\$10,000 \times 0.0097585 = \$97.59$

The remainder of the examples in this attachment will only show the results of the formula.

Example 1. Brenda is single with no dependents and has \$15,000 in Direct Subsidized and Unsubsidized Loans. The interest rate on Brenda's loans is 6 percent, and she has an AGI of \$31,087.

Step 1: Determine the total monthly payment amount based on what Brenda would pay over 12 years using standard amortization. To do this, use the formula that precedes Example 1. In this example, the monthly payment amount would be \$146.38.

Step 2: Multiply the result of Step 1 by the income percentage factor shown in the income percentage factors table (see Attachment 1 to this notice) that corresponds to Brenda's AGI. In this example, an AGI of \$31,087 corresponds to an income percentage factor of 71.89 percent.

- $0.7189 \times \$146.38 = \$105.23$

Step 3: Determine 20 percent of Brenda's discretionary income and divide by 12 (discretionary income is AGI minus the HHS Poverty Guideline amount for a borrower's family size and State of residence). For Brenda, subtract the Poverty Guideline amount for a family

of one from her AGI, multiply the result by 20 percent, and then divide by 12:

- $\$31,087 - \$12,490 = \$18,597$
- $\$18,597 \times 0.20 = \$3,719.40$
- $\$3,719.40 \div 12 = \$309.95$

Step 4: Compare the amount from Step 2 with the amount from Step 3. The lower of the two will be the monthly ICR payment amount. In this example, Brenda will be paying the amount calculated under Step 2 (\$105.23).

Note: Brenda would have a lower payment under other income-driven repayment plans. Specifically, Brenda's payment would be \$102.93 under the PAYE and REPAYE plans. However, Brenda's payment would be \$154.40 under the IBR plan, which is higher than the payment she would have under the ICR plan.

Example 2. Joseph is married to Susan and has no dependents. They file their Federal income tax return jointly. Joseph has a Direct Loan balance of \$10,000, and Susan has a Direct Loan balance of \$15,000. The interest rate on all of the loans is 6 percent.

Joseph and Susan have a combined AGI of \$87,800 and are repaying their loans jointly under the ICR plan (for general information regarding joint ICR payments for married couples, see the fifth and sixth bullets under the heading "General notes about the examples in this attachment").

Step 1: Add Joseph's and Susan's Direct Loan balances to determine their combined aggregate loan balance:

$$\bullet \ \$10,000 + \$15,000 = \$25,000$$

Step 2: Determine the combined monthly payment amount for Joseph and Susan based on what both borrowers would pay over 12 years using standard amortization. To do this, use the formula that precedes Example 1. In this example, the combined monthly payment amount would be \$243.96.

Step 3: Multiply the result of Step 2 by the income percentage factor shown in the income percentage factors table (see Attachment 1 to this notice) that corresponds to Joseph and Susan's combined AGI. In this example, the combined AGI of \$87,800 corresponds to an income percentage factor of 109.40 percent.

$$\bullet \ 1.094 \times \$243.96 = \$266.90$$

Step 4: Determine 20 percent of Joseph and Susan's combined discretionary income (discretionary income is AGI

minus the HHS Poverty Guideline amount for a borrower's family size and State of residence). To do this, subtract the Poverty Guideline amount for a family of two from the combined AGI, multiply the result by 20 percent, and then divide by 12:

- $\$87,800 - \$16,910 = \$70,890$
- $\$70,890 \times 0.20 = \$14,178.00$
- $\$14,178.00 \div 12 = \$1,181.50$

Step 5: Compare the amount from Step 3 with the amount from Step 4. The lower of the two will be Joseph and Susan's joint monthly payment amount. Joseph and Susan will jointly pay the amount calculated under Step 3 (\$266.90).

Note: For Joseph and Susan, the ICR plan provides the lowest monthly payment of all of the income-driven repayment plans. Joseph and Susan would not be eligible for the IBR or PAYE plans, and would have a combined monthly payment under the REPAYE plan of \$520.29.

Step 6: Because Joseph and Susan are jointly repaying their Direct Loans under the ICR plan, the monthly payment amount calculated under Step 5 applies to both Joseph's and Susan's loans. To determine the amount for which each

borrower will be responsible, prorate the amount calculated under Step 4 by each spouse's share of the combined Direct Loan debt. Joseph has a Direct Loan debt of \$10,000 and Susan has a Direct Loan debt of \$15,000. For Joseph, the monthly payment amount will be:

- $\$10,000 \div (\$10,000 + \$15,000) = 40$  percent
- $0.40 \times \$266.90 = \$106.76$

For Susan, the monthly payment amount will be:

- $\$15,000 \div (\$10,000 + \$15,000) = 60$  percent
- $0.60 \times \$266.90 = \$160.14$

Example 3. David is single with no dependents and has \$60,000 in Direct Subsidized and Unsubsidized Loans. The interest rate on all of the loans is 6 percent, and David's AGI is \$36,989.

Step 1: Determine the total monthly payment amount based on what David would pay over 12 years using standard amortization. To do this, use the formula that precedes Example 1. In this example, the monthly payment amount would be \$585.51.

Step 2: Multiply the result of Step 1 by the income percentage factor shown in the income percentage factors

table (see Attachment 1 to this notice) that corresponds to David's AGI. In this example, an AGI of \$36,989 corresponds to an income percentage factor of 80.33 percent.

- $0.8033 \times \$585.51 = \$470.34$

Step 3: Determine 20 percent of David's discretionary income and divide by 12 (discretionary income is AGI minus the HHS Poverty Guideline amount for a borrower's family size and State of residence). To do this, subtract the Poverty Guideline amount for a family of one from David's AGI, multiply the result by 20 percent, and then divide by 12:

- $\$36,989 - \$12,490 = \$24,499.00$

- $\$24,499 \times 0.20 = \$4,899.80$

- $\$4,899.90 \div 12 = \$408.32$

Step 4: Compare the amount from Step 2 with the amount from Step 3. The lower of the two will be David's monthly payment amount. In this example, David will be paying the amount calculated under Step 3 (\$408.32).

Note: David would have a lower payment under each of the other income-driven plans. Specifically, David's



payment would be \$152.12 under the PAYE and REPAYE plans and \$228.18 under the IBR plan.

Interpolation. If an income is not included on the income percentage factor table, calculate the income percentage factor through linear interpolation. For example, assume that Joan is single with an income of \$50,000.

Step 1: Find the closest income listed that is less than Joan's income of \$50,000 (\$46,460) and the closest income listed that is greater than Joan's income of \$50,000 (\$58,269).

Step 2: Subtract the lower amount from the higher amount (for this discussion we will call the result the "income interval"):

- $\$58,269 - \$46,460 = \$11,809$

Step 3: Determine the difference between the two income percentage factors that correspond to the incomes used in Step 2 (for this discussion, we will call the result the "income percentage factor interval"):

- $100.00 \text{ percent} - 88.77 \text{ percent} = 11.23 \text{ percent}$

Step 4: Subtract from Joan's income the closest income shown on the chart that is less than Joan's income of \$50,000:

- $\$50,000 - \$46,460 = \$3,540$

Step 5: Divide the result of Step 4 by the income interval determined in Step 2:

- $\$3,540 \div \$11,809 = 29.98$  percent

Step 6: Multiply the result of Step 5 by the income percentage factor interval:

- $11.23$  percent  $\times$   $29.98$  percent =  $3.37$  percent

Step 7: Add the result of Step 6 to the lower of the two income percentage factors used in Step 3 to calculate the income percentage factor interval for \$50,000 in income:

- $3.37$  percent +  $88.77$  percent =  $92.14$  percent

(rounded to the nearest hundredth)

The result is the income percentage factor that we will use to calculate Joan's monthly repayment amount under the ICR plan.

### Attachment 3--Charts Showing Sample Income-Driven Repayment Amounts for Single and Married Borrowers

Below are two charts that provide first-year payment amount estimates for a variety of loan debt sizes and incomes under all of the income-driven repayment plans and the 10-Year Standard Repayment Plan. The first chart is for single borrowers who have a family size of one. The

second chart is for a borrower who is married or a head of household and who has a family size of three. The calculations in Attachment 3 assume that the loan debt has an interest rate of 6 percent. For married borrowers, the calculations assume that the borrower files a joint Federal income tax return with his or her spouse and that the borrower's spouse does not have Federal student loans. A field with a "-" character indicates that the borrower in the example would not be eligible to enter the applicable income-driven repayment plan based on the borrower's income, loan debt, and family size.

Sample First-Year Monthly Repayment Amounts for a Single Borrower							
Family Size = 1							
Initial Debt	Income	Plan	\$20,000	\$40,000	\$60,000	\$80,000	\$100,000
	Initial Debt	\$20,000	ICR	\$117	\$162	\$195	\$211
IBR			\$16	-	-	-	-
PAYE			\$11	\$177	-	-	-
REPAYE			\$11	\$177	\$344	\$511	\$677
10-Year Standard			\$222	\$222	\$222	\$222	\$222
\$40,000		ICR	\$125	\$324	\$344	\$423	\$472
		IBR	\$16	\$266	-	-	-
		PAYE	\$11	\$177	\$344	-	-
		REPAYE	\$11	\$177	\$344	\$511	\$682
		10-Year Standard	\$444	\$444	\$444	\$444	\$444
\$60,000		ICR	\$125	\$459	\$586	\$634	\$700
		IBR	\$16	\$266	\$516	-	-
		PAYE	\$11	\$177	\$344	\$511	-
		REPAYE	\$11	\$177	\$344	\$511	\$677

	10-Year Standard	\$666	\$666	\$666	\$666	\$666
\$80,000	ICR	\$125	\$459	\$781	\$845	\$934
	IBR	\$16	\$266	\$516	\$766	-
	PAYE	\$11	\$177	\$344	\$511	\$677
	REPAYE	\$11	\$177	\$344	\$511	\$677
	10-Year Standard	\$888	\$888	\$888	\$888	\$888
\$100,000	ICR	\$125	\$459	\$792	\$1,057	\$1,167
	IBR	\$16	\$266	\$516	\$766	\$1,016
	PAYE	\$11	\$177	\$344	\$511	\$677
	REPAYE	\$11	\$177	\$344	\$511	\$677
	10-Year Standard	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110

Sample First-Year Monthly Repayment Amounts for a Married or Head-of-Household Borrower							
Family Size = 3							
Initial Debt	Income	Plan	\$20,000	\$40,000	\$60,000	\$80,000	\$100,000
		\$20,000	ICR	\$0	\$154	\$195	\$205
IBR			\$0	\$100	-	-	-
PAYE			\$0	\$67	-	-	-
REPAYE			\$0	\$67	\$233	\$400	\$567
10-Year Standard			\$222	\$222	\$222	\$222	\$222
\$40,000		ICR	\$0	\$309	\$390	\$415	\$457
		IBR	\$0	\$100	\$350	-	-
		PAYE	\$0	\$67	\$233	\$400	-
		REPAYE	\$0	\$67	\$233	\$400	\$574
		10-Year Standard	\$444	\$444	\$444	\$444	\$444
\$60,000		ICR	\$0	\$320	\$586	\$622	\$686
		IBR	\$0	\$100	\$350	\$600	-
		PAYE	\$0	\$67	\$233	\$400	\$574
		REPAYE	\$0	\$67	\$233	\$400	\$574
		10-Year Standard	\$666	\$666	\$666	\$666	\$666
\$80,000		ICR	\$0	\$311	\$645	\$822	\$904
		IBR	\$0	\$100	\$350	\$600	\$850
		PAYE	\$0	\$67	\$233	\$400	\$567
		REPAYE	\$0	\$67	\$233	\$400	\$567
		10-Year Standard	\$888	\$888	\$888	\$888	\$888

	\$100,000	ICR	\$0	\$311	\$645	\$978	\$1,131
		IBR	\$0	\$100	\$350	\$600	\$850
		PAYE	\$0	\$67	\$233	\$400	\$567
		REPAYE	\$0	\$67	\$233	\$400	\$567
		10-Year Standard	\$1,110	\$1,110	\$1,110	\$1,110	\$1,110

[FR Doc. 2019-10623 Filed: 5/21/2019 8:45 am; Publication Date: 5/22/2019]