

DEPARTMENT OF EDUCATION

William D. Ford Federal Direct Loan Program

AGENCY: Department of Education.

ACTION: Notice of the annual updates to the income contingent repayment (ICR) plan formula.

SUMMARY: The Secretary announces the annual updates to the ICR Plan formula for 2000. Under the William D. Ford Federal Direct Loan (Direct Loan) Program, borrowers may choose to repay their student loans under the ICR plan, which bases the repayment amount on the borrower's income, family size, loan amount, and interest rate. Each year, the formula for calculating a borrower's payment is adjusted to reflect changes due to inflation. This notice contains the required updates based on inflation, which are examples of how the calculation of the monthly ICR amount is performed, the income percentage factors, the constant multiplier chart, and charts showing sample repayment amounts. These updates are effective from July 1, 2000 to June 30, 2001.

FOR FURTHER INFORMATION CONTACT: Don Watson, U.S. Department of Education, Room 3045, ROB-3, 400 Maryland Avenue, SW., Washington, DC 20202-5400. Telephone: (202) 708-8242. If you use a telecommunications device for the deaf (TDD), you may call the Federal Information Relay Service (FIRS) at 1-800-877-8339.

Individuals with disabilities may obtain this document in an alternate format (e.g., Braille, large print, audiocassette or computer diskette) on request to the contact person listed in the preceding paragraph.

SUPPLEMENTARY INFORMATION: Direct Loan Program borrowers may choose to repay their Direct Loans under the ICR Plan. The attachment to this Notice provides updates to four sources of information: examples of how the calculation of the monthly ICR amount is performed, the income percentage factors, the constant multiplier chart, and charts showing sample repayment amounts.

We have updated the income percentage factors to reflect changes based on inflation. We have revised the income percentage factor table by changing the dollar amounts of the incomes shown by a percentage equal to the estimated percentage change in the Consumer Price Index for all Urban Consumers from December 1999 to December 2000. Further, we provide examples of monthly repayment amount calculations and two charts that show sample repayment amounts for single,

and married or head of household borrowers at various income and debt levels based on the updated income percentage factors.

The updated income percentage factors, at any given income, may cause a borrower's payments to be slightly lower than they were in prior years. This updated amount more accurately reflects the impact of inflation on a borrower's current ability to repay.

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(Catalog of Federal Domestic Assistance Number 84.268, William D. Ford Federal Direct Loan Program)

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

Dated: May 19, 2000.

Greg Woods,
Chief Operating Officer.

Attachment: Examples of the Calculations of Monthly Repayment Amounts

Example 1. This example assumes you are a single borrower with \$15,000 in Direct Loans, the interest rate being charged is 8.25 percent, and you have an adjusted gross income (AGI) of \$30,713.

Step 1: Determine your annual payments based on what you would pay over 12 years using standard amortization. To do this, multiply your loan balance by the constant multiplier for 8.25 percent interest (0.1315449). The constant multiplier is a factor used to calculate amortized payments at a given interest rate over a fixed period of time. (The 8.25 percent interest rate used in this example is the maximum interest rate charged for all Direct Loans excluding Direct PLUS Loans and may not be your actual interest rate. You can view the constant multiplier chart below to determine the constant multiplier that you should use for the interest rate on your loan. If your exact interest rate is not listed, use the next highest for estimation purposes.)

$$\bullet \ 0.1315449 \times \$15,000 = \$1,973.17$$

Step 2: Multiply the result of Step 1 by the income percentage factor shown in the income percentage factor table that corresponds to your income and the divide the result by 100. (If your income is not listed in the income percentage factor table, calculate the applicable income percentage factor by following the instructions under "Interpolation" below.):

$$\bullet \ 88.77 \times \$1,973.17 \div 100 = \$1,751.58$$

Step 3: Determine 20 percent of your discretionary income. Because you are a single borrower, subtract the poverty level for a family of one, as published in the **Federal Register** on February 15, 2000 (65 FR 7555), from your income and multiply the result by 20%:

$$\bullet \ \$30,713 - \$8,350 = \$22,363$$

$$\bullet \ \$22,363 \times 0.20 = \$4,472.60$$

Step 4: Compare the amount from Step 2 with the amount from Step 3. The lower of the two will be your annual payment amount. In this example, you will be paying the amount calculated under Step 2. To determine your monthly repayment amount, divide the annual amount by 12.

$$\bullet \ \$1,751.58 \div 12 = \$145.97$$

Example 2. In this example, you are married. You and your spouse have a combined AGI of \$58,040 and are repaying your loans jointly under the ICR plan. You have no children. You have a Direct Loan balance of \$10,000, and your spouse has a Direct Loan balance of \$15,000. Your interest rate is 8.25 percent.

Step 1: Add your and your spouse's Direct Loan balances together to determine your aggregate loan balance:

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

Step 2: Determine the annual payment based on what you would pay over 12 years using standard amortization. To do this, multiply your aggregate loan balance by the constant multiplier for 8.25 percent interest (0.1315449). (The 8.25 percent interest rate used in this example is the maximum interest rate charged for all Direct Loans excluding Direct PLUS Loans and may not be your actual interest rate. You can view the constant multiplier chart below to determine the constant multiplier that you should use for the interest rate on your loan. If your exact interest rate is not listed, use the next highest for estimation purposes.)

$$\bullet \ 0.1315449 \times \$25,000 = \$3,288.62$$

Step 3: Multiply the result by the income percentage factor shown in the income percentage factor table that corresponds to your and your spouse's income and divide the result by 100. (If your and your spouse's aggregate income is not listed in the income percentage factor table, calculate the applicable income percentage factor by following the instructions under "Interpolation" below.):

$$\bullet \ 109.40 \times \$3,288.62 \div 100 = \$3,597.75$$

Step 4: Determine 20 percent of your aggregate income. To do this, subtract the poverty level for a family of 2, as published in the **Federal Register** on February 15, 2000 (65 FR 7555), from your aggregate income and multiply the result by 20 percent:

$$\bullet \ \$58,040 - \$11,250 = \$46,790$$

$$\bullet \ \$46,790 \times 0.20 = \$9,358$$

Step 5: Compare the amount from Step 3 with the amount from Step 4. The lower of the two will be your annual payment amount. You and your spouse will pay the amount calculated under Step 3. To determine your monthly repayment amount, divide the annual amount by 12.

- \$3,597.75 ÷ 12 = \$299.81

Interpolation: If your income does not appear on the income percentage factor table, you will have to calculate the income percentage factor through interpolation. For example, assume you are single and your income is \$25,000.

Step 1: Find the closest income listed that is less than your income of \$25,000 and the closest income listed that is greater than your income of \$25,000.

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

- \$30,713 - \$24,452 = \$6,261

Step 3: Determine the difference between the two income percentage factors that are given for these incomes (for this discussion, we will call the result, the "income percentage factor interval"):

- 88.77% - 80.33% = 8.44%

Step 4: Subtract from your income the closest income shown on the chart that is less than your income of \$25,000:

- \$25,000 - \$24,452 = \$548

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

- \$548 ÷ \$6,261 = 0.08753

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

- 0.08753 × 8.44% = .73875%

Step 7: Add the result to the lower of the two income percentage factors used in Step 3 to calculate the income percentage factor interval for \$25,000 in income:

- .73878% + 80.33% = 81.07% (rounded to the nearest hundredth)

The result is the income percentage factor that will be used to calculate the monthly repayment amount under the ICR Plan.

INCOME PERCENTAGE FACTORS

[Based on annual income]

Single		Married/head of household	
Income	Percent factor	Income	Percent factor
8,028	55.00	8,028	50.52
11,047	57.79	12,669	56.68
14,215	60.57	15,098	59.56
17,455	66.23	19,738	67.79
20,550	71.89	24,452	75.22
24,452	80.33	30,713	87.61
30,713	88.77	38,518	100.00
38,520	100.00	46,327	100.00
46,327	100.00	58,040	109.40
55,679	111.80	77,555	125.00
71,295	123.50	104,879 ...	140.60
100,977 ...	141.20	146,678 ...	150.00

INCOME PERCENTAGE FACTORS— Continued

[Based on annual income]

Single		Married/head of household	
Income	Percent factor	Income	Percent factor
115,780 ...	150.00	239,683 ...	200.00
206,224 ...	200.00		

CONSTANT MULTIPLIER CHART FOR 12-YEAR AMORTIZATION

Interest rate (percent)	Annual constant multiplier
7.00	0.1234057
7.25	0.1250107
7.46	0.1263678
7.50	0.1266272
7.75	0.1282550
8.00	0.1298943
8.25	0.1315449
8.38	0.1324076
8.50	0.1332067
8.75	0.1348796
9.00	0.1365637

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