PGPresents, LLC
Independent Student Loan Consulting

INCOME DRIVEN REPAYMENT (IDR) PLANS

PLEASE READ THIS IN ITS ENTIRETY

INFORMATION CURRENT AS OF MAY 2025 BUT SUBJECT TO CHANGE

Income Driven Repayment (IDR) plans are designed to help borrowers who cannot afford payments with time-driven plans such as the Standard 10-year and Extended 25-year plans. Borrowers with high student loan debt-to-income (DTI) ratios often use IDRs to repay their student loans, as these plans provide affordable payments for most. This makes them ideal for many new graduates, especially medical interns and residents whose federal debt may be significantly higher than their income, especially during their training periods.

NOTE: IDR is NOT an income plan, it is the umbrella name for multiple repayment plans based on income. So when you say you are apply for an IDR, you must specify which one.

Payment Calculation

Payments are generally based on income from the most recently filed tax return, so the payment calculation tends to lag a year. This is how some borrowers have $0 calculated payments when they first enter an IDR, if they have a $0 tax return on file (or a return with minimal income) for the prior year. However, note that current income can be used if either a) the borrower has no return on file for the previous two years or b) current income is significantly less than that reported on the prior year return. Once calculated, payments are good for 12 months, at which time borrowers must renew or recertify their payment amount.

Types of Income Driven Repayment Plans

There are a number of IDRs, including:

- SAVE (Saving on a Valuable Education) - 2023
- REPAYE (Revised Pay As You Earn) – 2015 (replaced by SAVE in 2023, REPAYE no longer exists)
- PAYE (Pay As You Earn) - 2012
- IBR (Income Based Repayment) - 2009 and newer version in 2014
- ICR (Income Contingent Repayment) - 1994

SAVE and the Injunction

The Biden-Harris Administration introduced SAVE in the summer of 2023. SAVE replaced REPAYE and borrowers previously in REPAYE were automatically moved to SAVE. SAVE has a number of borrower-friendly provisions, with the third one listed below being especially important to medical residents:

- SAVE has lower payments than other IDRs, because more of a borrower's discretionary income (DI) is protected in the payment calculation.
- Spousal income is excluded in the payment calculation when married borrowers file separately.
- ED stops charging monthly interest that is not covered by the borrower's minimum payment with SAVE. This means their balance will never grow when their calculated payment with SAVE is less than the monthly interest they owe. We call this a 100% interest subsidy.

SAVE has been under attack by the GOP since it was first introduced, and currently based on some GOP states attorneys general and the Eighth Circuit Court, the entire SAVE plan is on hold, something that is also impacting other IDRs such as PAYE and ICR, based on a court ruling on February 18, 2025.

SAVE and the Injunction (continued)

See www.StudentAid.gov/IDR for updates on the injunction and its impact. However, please note this website may not be current due to changes and disruption at the U.S. Department of Education (ED).

Currently, borrowers in SAVE have been placed into what is called SAVE forbearance, with a suspension of payments and no interest being charged, though the suspension period does not count towards loan forgiveness, either term forgiveness or Public Service Loan Forgiveness (PSLF).

Please also note that while the precedent is not to pull students out of a repayment plan they are already in, should SAVE not survive (which we anticipate will be the case), there is a good chance borrowers already in SAVE will be moved to another IDR, but we have no details on this at the time of this writing. While unfair to borrowers currently in SAVE, they should watch their email closely for a notice in this regard.

Income Based Repayment (IBR) an Option

However, please note that Income BASED Repayment (IBR) was established separately by Congress many years ago and is thus far a protected plan, meaning borrowers can use IBR should they need an income plan. Please see our IDR Comparison Chart on our home page (right navigation bar) for details on IBR and also note the following:

- While payments are higher than with SAVE, they should still be affordable, and they are capped at the Standard 10-year payment amount calculated at the time the borrower applied for IBR.
- Payments with IBR still qualify for PSLF, assuming employment requirements are met for PSLF.
- There is no subsidy on Direct Unsubsidized and Direct PLUS (Grad PLUS) loans with IBR, meaning unlike SAVE, a borrower's balance will grow when their payments do not cover the monthly interest due. While not of great concern for borrowers doing PSLF (unless PSLF is adversely impacted by the current administration and Congress), it is of concern for borrowers who are not doing PSLF or who start out towards PSLF, then move into the for-profit sector, as their balance could be much higher.
- There is a chance the current provisions of the newer version of IBR could be changed, courtesy of the House Committee on Education (which is majority GOP), changes which would not be in a borrower's best interest.

While your decision to make, many borrowers we work with, especially those interested in PSLF and nearing eligibility, are not waiting for a final resolution to SAVE, they are applying for or switching to IBR in order to keep the clock ticking towards PSLF eligibility (or term forgiveness).

Please see our IDR Comparison Chart (and note the extra PowerPoint slides included) for details on the differences between the two versions of IBR. Note that our comments about PAYE and SAVE, based on their current status with the injunction.

We will update this information as best we can whenever possible. However, we cannot update our site every time the current administration signs an Executive Order or there is legal action taken or even suggested regarding these Income Driven Repayment plans. We encourage all borrowers adversely impacted by the above-referenced actions to contact their elected representatives to let them know what kind of chaos and disruption these GOP actions have resulted in for responsible borrowers.

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