THE PROJECT ON STUDENT DEBT

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New Income-Based Repayment of Federal Student Loans Starts July 1

Berkeley (CA) – On July 1, a major new student loan repayment option, Income-Based Repayment, will become available for the first time, providing much-needed financial relief for hundreds of thousands of federal student loan borrowers. There is also good news for students still in college, including more money for Pell Grants and lower interest rates for some student loans. July 1 is always an important date for federal student loans – it's the day when adjustments to loan terms and interest rates take effect – but this year's changes are especially valuable and timely.

"In this tough economic climate, Income-Based Repayment will be a godsend for so many people, helping to guarantee that student loan payments won't be the thing that breaks the bank," said Lauren Asher, acting president of the Institute for College Access & Success. "The loan forgiveness is also a light at the end of the tunnel for people with big debt burdens."

Income-Based Repayment (IBR) caps monthly loan payments based on income and family size, and forgives any debt and interest remaining after 25 years of payments. For example, a single person earning $30,000 a year with $30,000 in debt could cut her or his standard monthly payment amount in half with IBR. All federal loans made to students are eligible for this program, regardless of when they were taken out, from which lender, whether for graduate or undergraduate study.

More information about IBR – including a calculator to estimate eligibility and payments, and a short animated video explaining the program – is available at www.IBRinfo.org.

For students and parents still worrying how to afford college this fall, there is more good news. The maximum Pell Grant award has been raised to $5,350, up from the current maximum of $4,731. For those who plan to borrow for school, the fixed interest rate on subsidized Stafford loans taken out after July 1 drops from 6% to 5.6%. And for graduating students and anyone else with unconsolidated Stafford loans taken out before July 1, 2006, the interest rate on those variable-rate loans will drop from the low 4.21% to a *very* low 2.48%. Consolidating those older loans after July 1 of this year will lock in that rate, or a weighted average of all the interest rates on all loans in the consolidation.

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Summary of changes that go into effect July 1, 2009
Federal loan terms and rates for 2009-10
More information about IBR and Public Service Loan Forgiveness is at www.IBRinfo.org
IBR will be featured on www.studentaid.ed.gov starting tomorrow

The Project on Student Debt is supported by The Pew Charitable Trusts, the William and Flora Hewlett Foundation, the Ford Foundation, the BayTree Fund, and individual donors. The Project on Student Debt is an initiative of the Institute for College Access & Success, an independent, nonprofit organization working to make higher education more available and affordable for people of all backgrounds. For more information see www.projectonstudentdebt.org and www.ticas.org.