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 plan formula.

SUMMARY: The Secretary announces the annual updates to the income percentage factors for 1999. Under the William D. Ford Federal Direct Loan (Direct Loan) Program, borrowers may choose to repay their student loans under the income contingent repayment plan, which bases the repayment amount on the borrower's income and 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 updated sample income contingent repayment amounts for single and married or head-of-household borrowers at various income and debt levels. These updates are effective from July 1, 2000 to June 30, 2001.

FOR FURTHER INFORMATION CONTACT: Donald 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.

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SUPPLEMENTARY INFORMATION: Direct Loan Program borrowers may choose to repay their Direct Loans under the income contingent repayment plan. The attachment to this Notice provides updates to four sources of information used to calculate the borrower's monthly payment amount: examples of how the calculation of the monthly ICR repayment 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 1998 to December 1999. Further, we provide examples of monthly repayment amount calculations and two charts. the charts show sample repayment amounts for single, and married or head of household borrowers at various income and debt 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: June 30, 1999.

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 $23,912.

Step 1: Determine your annual payments based on what you would pay over 12 years using standard amortization. To do this, multiply your principal 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. (See the constant multiplier chart below to determine the constant multiplier 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.)

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

Step 2: Multiply the result by the income percentage factor shown in the income percentage factor table that corresponds to your income (if your income is not listed, you can calculate the applicable income percentage factor by following the instructions under the interpolation heading below):

- $80.33 \times \$1,973.18 \div 100 = \$1,585.06$

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 March 18, 1999 (64 FR 13428), from your income and multiply the result by 20%:

- $\$23,912 - \$8,240 = \$15,672$
- $\$15,672 \times 0.20 = \$3,134.40$

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.

- $\$1,585.06 \div 12 = \$132.09$

Example 2. In this example, you are married. You and your spouse have a combined AGI of $30,035 and are repaying your loans jointly under the income contingent repayment 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 you and your spouse's Direct Loan balances together to determine your aggregate loan balance.

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

Step 2: Determine the annual payment based on what you would pay over 12 years using standard amortization. To do this, multiply your aggregate principal balance by the constant multiplier for 8.25 percent interest (0.1315452). (See the constant multiplier chart to determine the constant multiplier you should use for the interest rate on your loan. If your exact interest rate is not listed, choose the next highest rate for estimation purposes.)

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

Step 3: Multiply the result by the income percentage factor shown in the income percentage factor table that corresponds to you and your spouse's income (if you and your spouse's aggregate income is not listed, you can calculate the applicable income percentage factor by following the instructions under the interpolation heading below):

- $87.61 \times \$3,288.63 \div 100 = \$2,881.17$

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 March 18, 1999 (64 FR 13428), from your aggregate income and multiply the result by 20 percent:

- $\$30,035 - \$11,060 = \$18,975$
- $\$18,975 \times 0.20 = \$3,795$

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's will be paying the amount calculated under step 3.

To determine your monthly repayment amount, divide the annual amount by 12.

- $2,881.17 ÷ 12 = $240.10

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 $30,000.

Step 1: Find the interval between the closest income listed that is less than your income of $30,000 and the closest income listed that is greater than your income of $30,000.

Step 2: Subtract these numbers (for this discussion, we will call the result the ''income interval''):

- $30,035 − $23,912 = $6,123

Step 3: Find the interval 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 the income shown on the chart that is immediately less than $30,000 from your income of $30,000:

- $30,000 − $23,912 = $6,088

Step 5: Divide the result by the number representing the income interval:

- $6,088 ÷ $6,123 = 0.9943

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

- 0.9943 × 8.44% = 8.39%

Step 7: Add the result to the lower income percentage factor used to calculate the income percentage factor interval for $30,000 in income:

- 8.39% + 80.33% = 88.72%

The result is the income percentage factor that will be Used to calculate the monthly repayment amount under the Income contingent repayment plan.

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Income Percentage Factors

(Based on Annual Income)

Single		Married/ Head of Household	
Income	% Factor	Income	% Factor
7,851	55.00%	7,851	50.52%
10,803	57.79%	12,389	56.68%
13,901	60.57%	14,765	59.56%
17,070	66.23%	19,302	67.79%
20,096	71.89%	23,912	75.22%
23,912	80.33%	30,035	87.61%
30,035	88.77%	37,668	100.00%
37,669	100.00%	45,304	100.00%
45,304	100.00%	56,757	109.40%
54,450	111.80%	75,842	125.00%
69,721	123.50%	102,563	140.60%
98,747	141.20%	143,439	150.00%
113,223	150.00%	234,390	200.00%
201,670	200.00%		

CONSTANT MULTIPLIER CHART FOR 12-YEAR AMORTIZATION

Interest Rate	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

Sample First-Year Monthly Repayment Amounts for a Single Borrower at various Income and Debt Levels

Income	Initial Debt																							
	$2,500	$5,000	$ 7,500	$10,000	$12,500	$15,000	$17,500	$20,000	$22,500	$25,000	$30,000	$35,000	$40,000	$45,000	$50,000	$55,000	$60,000	$65,000	$70,000	$75,000	$80,000	$85,000	$90,000	$100,000
$ 1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,000	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
10,000	16	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29
12,500	16	33	49	65	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71	71
15,000	17	34	51	69	86	103	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113
17,500	18	37	55	73	92	110	129	147	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154	154
20,000	20	39	59	79	98	118	138	157	177	196	196	196	196	196	196	196	196	196	196	196	196	196	196	196
22,500	21	42	63	85	106	127	148	169	190	212	238	238	238	238	238	238	238	238	238	238	238	238	238	238
25,000	22	45	67	90	112	135	157	179	202	224	269	279	279	279	279	279	279	279	279	279	279	279	279	279
30,000	24	49	73	97	122	146	170	195	219	243	292	340	363	363	363	363	363	363	363	363	363	363	363	363
35,000	26	53	79	105	132	158	184	211	237	263	316	369	421	446	446	446	446	446	446	446	446	446	446	446
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	529	529	529	529	529	529	529	529	529	529
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	613	613	613	613	613	613	613	613
50,000	29	58	87	116	145	174	203	233	262	291	349	407	465	523	581	639	696	696	696	696	696	696	696	696
55,000	31	62	92	123	154	185	215	246	277	308	369	431	492	554	615	677	738	779	779	779	779	779	779	779
60,000	32	64	95	127	159	191	223	254	286	318	382	445	509	572	636	700	763	827	863	863	863	863	863	863
65,000	33	66	99	131	164	197	230	263	296	329	394	460	526	591	657	723	789	854	920	946	946	946	946	946
70,000	34	68	102	136	169	203	237	271	305	339	407	474	542	610	678	746	813	881	949	1017	1029	1029	1029	1029
75,000	35	69	104	139	174	208	243	278	313	347	417	486	556	625	695	764	833	903	972	1042	1111	1113	1113	1113
80,000	36	71	107	142	178	213	249	285	320	356	427	498	569	640	711	782	854	924	996	1067	1138	1196	1196	1196
85,000	36	73	109	146	182	218	255	291	328	364	437	510	582	655	728	801	874	946	1019	1092	1165	1238	1279	1279
90,000	37	74	112	149	186	223	261	298	335	372	447	521	596	670	745	819	894	968	1043	1117	1192	1266	1340	1363
95,000	38	76	114	152	190	228	266	305	343	381	457	533	609	685	761	838	914	990	1066	1142	1218	1294	1371	1446
100,000	39	78	117	156	195	233	272	311	350	389	467	545	622	700	778	856	934	1012	1089	1167	1245	1323	1401	1529

Sample repayment amounts are based on an interest rate of 8.25%.

Sample First-Year Monthly Repayment Amounts for a Married or Head-of-household Borrower at various Income and Debt Levels

Income	Family Size = 3																							
	Initial Debt																							
	$ 2,500	$ 5,000	$ 7,500	$ 10,000	$ 12,500	$ 15,000	$ 17,500	$ 20,000	$ 22,500	$ 25,000	$ 30,000	$ 35,000	$ 40,000	$ 45,000	$ 50,000	$ 55,000	$ 60,000	$ 65,000	$ 70,000	$ 75,000	$ 80,000	$ 85,000	$ 90,000	$ 100,000
$ 1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,000	16	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
17,500	18	35	53	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
20,000	19	38	57	76	94	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102	102
22,500	20	40	60	80	100	120	140	144	144	144	144	144	144	144	144	144	144	144	144	144	144	144	144	144
25,000	21	42	64	85	106	127	149	170	185	185	185	185	185	185	185	185	185	185	185	185	185	185	185	185
30,000	24	48	72	96	120	144	168	192	216	240	269	269	269	269	269	269	269	269	269	269	269	269	269	269
35,000	26	52	79	105	131	157	184	210	236	262	315	352	352	352	352	352	352	352	352	352	352	352	352	352
40,000	27	55	82	110	137	164	192	219	247	274	329	384	435	435	435	435	435	435	435	435	435	435	435	435
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	519	519	519	519	519	519	519	519	519	519
50,000	28	57	85	114	142	171	199	228	256	285	342	398	455	512	569	602	602	602	602	602	602	602	602	602
55,000	30	59	89	118	148	178	207	237	266	296	355	414	473	533	592	651	685	685	685	685	685	685	685	685
60,000	31	61	92	123	154	184	215	246	276	307	368	430	491	553	614	676	737	769	769	769	769	769	769	769
65,000	32	64	95	127	159	191	223	255	286	318	382	446	509	573	637	700	764	828	852	852	852	852	852	852
70,000	33	66	99	132	165	198	231	264	297	329	395	461	527	593	659	725	791	857	923	935	935	935	935	935
75,000	34	68	102	136	170	204	238	273	307	341	409	477	545	613	681	749	818	886	954	1019	1019	1019	1019	1019
80,000	35	70	105	140	175	210	244	279	314	349	419	489	559	629	698	768	838	908	978	1048	1102	1102	1102	1102
85,000	36	71	107	143	179	214	250	286	322	357	429	500	572	643	714	786	857	929	1000	1072	1143	1185	1185	1185
90,000	37	73	110	146	183	219	256	292	329	365	438	511	584	657	730	803	877	950	1023	1096	1169	1242	1269	1269
95,000	37	75	112	149	187	224	261	299	336	373	448	523	597	672	746	821	896	970	1045	1120	1194	1269	1344	1352
100,000	38	76	114	152	191	229	267	305	343	381	457	534	610	686	762	839	915	991	1067	1144	1220	1296	1372	1435

Sample repayment amounts are based on an interest rate of 8.25%.'

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