

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 2001. 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, we adjust the formula for calculating a borrower's payment to reflect changes due to inflation. This notice contains the required updates based on inflation, 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, 2001 to June 30, 2002.

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.

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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 2000 to December 2001. 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.

Electronic Access to This Document

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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 27, 2001.

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 \$31,455.

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 at the end of this notice 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.)

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

Step 2: Multiply the result of Step 1 by the income percentage factor shown in the income percentage factors table that corresponds to your income and then divide

the result by 100. (If your income is not listed in the income percentage factors table, calculate the applicable income percentage factor by following the instructions under the "Interpolation" heading later in this notice.):

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

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 16, 2001 (66 FR 10695), from your income and multiply the result by 20 percent:

- $\$31,455 - \$8,590 = \$22,865$
- $\$22,865 \times 0.20 = \$4,573$

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.

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

Example 2. In this example, you are married. You and your spouse have a combined AGI of \$59,440 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:

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

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 at the end of this notice 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.)

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

Step 3: Multiply the result of Step 2 by the income percentage factor shown in the income percentage factors table that corresponds to your and your spouse's income and then divide the result by 100. (If your and your spouse's aggregate income is not listed in the income percentage factors table, calculate the applicable income percentage factor by following the instructions under the "Interpolation" heading later in this notice.):

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

Step 4: Determine 20 percent of your discretionary income. To do this, subtract the poverty level for a family of 2, as published in the **Federal Register** on February 16, 2001 (66 FR 10695), from your aggregate income and multiply the result by 20 percent:

- $\$59,440 - \$11,610 = \$47,830$
- $\$47,830 \times 0.20 = \$9,566$

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 \div 12 = \299.81

Interpolation: If your income does not appear on the income percentage factors 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"):

- $\$25,042 - \$21,046 = \$3,996$

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"):

- $80.33\% - 71.89\% = 8.44\%$

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

- $\$25,000 - \$21,046 = \$3,954$

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

- $\$3,954 \div \$3,996 = 0.98949$

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

- $8.44\% \times 0.98949\% = 8.35\%$

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 \$25,000 in income:

- $8.35\% + 71.89\% = 80.24\%$ (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.

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Income Percentage Factors			
(Based on Annual Income)			
Single		Married/ Head of Household	
Income	% Factor	Income	% Factor
8,222	55.00%	8,222	50.52%
11,314	57.79%	12,975	56.68%
14,558	60.57%	15,463	59.56%
17,877	66.23%	20,214	67.79%
21,046	71.89%	25,042	75.22%
25,042	80.33%	31,455	87.61%
31,455	88.77%	39,448	100.00%
39,449	100.00%	47,445	100.00%
47,445	100.00%	59,440	109.40%
57,023	111.80%	79,427	125.00%
73,016	123.50%	107,410	140.60%
103,414	141.20%	150,218	150.00%
118,574	150.00%	245,468	200.00%
211,202	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	\$ 5,500	\$ 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	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	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	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	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	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	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	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	0
9,000	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
10,000	16	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
12,500	16	32	48	64	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65
15,000	17	34	50	67	84	101	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107
17,500	18	36	54	72	90	108	126	144	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149
20,000	19	38	58	77	96	115	134	154	173	190	190	190	190	190	190	190	190	190	190	190	190	190	190	190	190
22,500	21	41	62	82	103	123	144	164	185	205	232	232	232	232	232	232	232	232	232	232	232	232	232	232	232
25,000	22	44	66	88	110	132	154	176	198	220	264	274	274	274	274	274	274	274	274	274	274	274	274	274	274
30,000	24	48	71	95	119	143	167	190	214	238	286	333	357	357	357	357	357	357	357	357	357	357	357	357	357
35,000	26	51	77	103	128	154	180	206	231	257	308	360	411	440	440	440	440	440	440	440	440	440	440	440	440
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	483	548	603	607	607	607	607	607	607	607	607	607
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	483	548	603	607	607	607	607	607	607	607	607	607
50,000	28	57	85	113	141	170	198	226	254	283	339	396	452	509	565	622	678	690	690	690	690	690	690	690	690
55,000	30	60	90	120	150	180	210	240	270	300	359	419	479	539	599	659	719	774	774	774	774	774	774	774	774
60,000	31	62	94	125	156	187	219	250	281	312	375	437	500	562	625	687	750	812	857	857	857	857	857	857	857
65,000	32	64	97	129	161	193	226	258	290	322	387	451	516	580	645	709	774	838	903	940	940	940	940	940	940
70,000	33	66	100	133	166	199	233	266	299	332	399	465	532	598	665	731	798	864	931	997	1024	1024	1024	1024	1024
75,000	34	68	102	137	171	205	239	273	307	342	410	478	547	615	683	752	820	888	957	1025	1093	1107	1107	1107	1107
80,000	35	70	103	140	175	210	245	280	315	350	420	489	559	629	699	769	839	909	979	1049	1119	1189	1190	1190	1190
85,000	36	72	107	143	179	215	250	286	322	358	429	501	572	643	715	787	858	930	1001	1073	1144	1216	1274	1274	1274
90,000	37	73	110	146	183	219	256	292	329	366	439	512	585	658	731	804	877	950	1024	1097	1170	1243	1316	1357	1357
95,000	37	75	112	149	187	224	261	299	336	374	448	523	598	672	747	822	896	971	1046	1121	1195	1270	1345	1440	1440
100,000	38	76	114	153	191	229	267	305	343	381	458	534	610	687	763	839	916	992	1068	1145	1221	1297	1373	1524	1524

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

Family Size = 1

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	\$ 95,000	\$ 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	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	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	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	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	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	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	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	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	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	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	0	0
15,000	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
17,500	17	35	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48
20,000	18	37	55	74	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
22,500	20	39	59	79	98	118	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131
25,000	21	42	63	84	104	125	146	167	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173
30,000	23	46	70	93	116	139	163	186	209	232	256	256	256	256	256	256	256	256	256	256	256	256	256	256	256	256
35,000	26	51	77	102	128	153	179	204	230	255	306	340	340	340	340	340	340	340	340	340	340	340	340	340	340	340
40,000	27	55	82	110	137	164	192	219	247	274	329	384	423	423	423	423	423	423	423	423	423	423	423	423	423	423
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	506	506	506	506	506	506	506	506	506	506	506	506
50,000	28	56	84	112	140	168	196	224	252	280	335	391	447	503	519	519	519	519	519	519	519	519	519	519	519	519
55,000	29	58	87	116	145	174	203	232	261	290	348	406	464	523	581	639	673	673	673	673	673	673	673	673	673	673
60,000	30	60	90	120	151	181	211	241	271	301	361	421	482	542	602	662	722	756	756	756	756	756	756	756	756	756
65,000	31	62	94	125	156	187	218	249	281	312	374	436	499	561	623	686	748	810	840	840	840	840	840	840	840	840
70,000	32	64	97	129	161	193	226	258	290	322	387	451	516	580	645	709	774	838	903	923	923	923	923	923	923	923
75,000	33	67	100	133	167	200	233	266	300	333	400	466	533	600	666	733	799	866	933	999	1006	1006	1006	1006	1006	1006
80,000	34	69	103	137	172	206	240	275	309	343	412	481	550	618	687	756	824	893	962	1030	1090	1090	1090	1090	1090	1090
85,000	35	70	105	140	176	211	246	281	316	351	421	492	562	632	702	772	843	913	983	1053	1123	1173	1173	1173	1173	1173
90,000	36	72	108	143	179	215	251	287	323	359	430	502	574	646	717	789	861	933	1004	1076	1148	1220	1256	1256	1256	1256
95,000	37	73	110	147	183	220	256	293	330	366	440	513	586	659	733	806	879	953	1026	1099	1172	1246	1319	1340	1340	1340
100,000	37	75	112	150	187	228	262	299	337	374	449	524	598	673	748	823	898	972	1047	1122	1197	1272	1346	1423	1423	1423

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