

EXAMPLE F

This example shows a borrower with a family size of one and a \$30,000 AGI repaying \$15,000 in Direct Subsidized Loans at 8.25 percent interest under the **ICR Plan**.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Repayment
\$15,000	\$30,000	\$146*	14	\$25,034**

*Calculated as follows:

Step 1: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621). (For constant multipliers, see the chart on page A-3).

$$0.0109621 \times 15,000 = 164.4315$$

Step 2: Multiply the result by the income percentage factor that corresponds to the borrower's income. (For income percentage factors, see the chart on page A-4).

$$88.77\% (0.9089) \times 164.4315 = \$146$$

Step 3: Determine 20 percent of discretionary income. (See page A-5 for poverty guidelines chart.)***

$$[\$30,000 - \$8,050] \times 0.20 \div 12 = \$366$$

Step 4: Payment is the amount determined in step 2 because it is less than 20 percent of discretionary income.

**\$15,000 in principal and \$10,034 in interest

***Poverty guideline for a family size of one