Wednesday
September 20, 1995

Part VII

Department of Education

34 CFR Part 685

William D. Ford Federal Direct Loan Program; Proposed Rule

DEPARTMENT OF EDUCATION

34 CFR Part 685

RIN 1840–AC19

William D. Ford Federal Direct Loan Program

AGENCY: Department of Education.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Secretary of Education proposes to amend provisions of the income contingent repayment plan under the William D. Ford Federal Direct Loan (Direct Loan) Program regulations. The Secretary is amending these provisions to provide benefits to borrowers and protect the taxpayers' interests.

DATES: Comments on the proposed regulations must be received on or before October 31, 1995.

ADDRESSES: All comments concerning these proposed regulations should be addressed to Ms. Rachel Edelstein, U.S. Department of Education, P.O. Box 23272, Washington, D.C. 20026–3272. Comments may also be sent via the internet to: direct ____ loans@ed.gov.

To ensure that public comments have maximum effect in developing the final regulations, the Department urges that each comment clearly identify the specific section or sections of the regulations that the comment addresses and that comments be in the same order as the regulations.

Comments that concern information collection requirements must be sent to the Office of Management and Budget at the address listed in the Paperwork Reduction Act section of this preamble. A copy of those comments may also be sent to the Department representative named in the preceding paragraph.

FOR FURTHER INFORMATION CONTACT: Ms. Rachel Edelstein, telephone: (202) 708–9406. (Internet address: direct __loans@ed.gov). Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1–800–877–8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION:

Background

On July 1, 1994, the Secretary published final regulations that included provisions for the income contingent repayment plan during Year One of the Direct Loan Program. The Higher Education Act of 1965, as amended (HEA), directed the Secretary, to the extent practicable, to develop proposed rules for the Direct Loan Program through a negotiated rulemaking process for the second and subsequent years of the program (1995–1996 and beyond). Therefore, following negotiated rulemaking, the Secretary published a Notice of Proposed Rulemaking on August 18, 1994, and final regulations on December 1, 1994, both of which included new provisions for the income contingent repayment plan of the Direct Loan Program. On December 22, 1994, the Secretary published regulations that revised the July 1, 1994, regulations to provide that provisions for income contingent repayment would be identical for Year One and Year Two of the Direct Loan Program. After a year of administering the Direct Loan Program, the Secretary proposes to make improvements to the existing income contingent repayment plan.

Provisions Proposed

These proposed regulations include policies and procedures that would apply to borrowers who initially select the income contingent repayment plan under the Director Loan Program when they enter repayment on or after July 1, 1996 and borrowers who switch into the income contingent repayment on or after July 1, 1996. To improve the existing income contingent repayment plan, the Secretary proposes the following: To revise the income contingent repayment formula so that payments will increase more significantly as debt increases than under the current formula; to eliminate the minimum payment amount currently allowed under regulations so that more borrowers will be in the habit of repaying regularly; to alter the treatment of married borrowers when calculating the repayment amount by always including the income of the borrower and the borrower's spouse so that the Secretary may more accurately assess the married borrower's ability to repay; and to require alternative documentation of income for most borrowers in their first and second years of repayment, because, for most of these borrowers, the previous year's adjusted gross income (AGI) will not accurately reflect current income.

Summary of Contents

Revised Repayment Formula

After administering the current income contingent loan repayment plan, the Secretary is proposing several ways to improve the repayment formula. The Statement of Managers language included in the Conference Report on the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103–66) stated that payments should generally be directly proportional to the amount borrowed in order to discourage over-borrowing. The current income contingent repayment plan increases borrowers' payments by only 0.2 percent of income per $1,000 borrowed; therefore, increased borrowing affects monthly repayment amounts only negligibly. For example, a student who has borrowed $5,000 could continue to borrow until his or her loan balance reaches almost six times that amount ($29,000) before the repayment amount doubles, and almost 11 times that amount ($53,000) before the repayment amount triples. Because payments do not increase significantly with the amount borrowed, the Secretary believes the current income contingent repayment plan may encourage over-borrowing.

Under the proposed formula, borrowers' payments would equal the 12-year amortization repayment amount for their outstanding loans multiplied by an income percentage factor that varies with annual income; however, borrowers would never pay more than 20 percent of their discretionary income. Discretionary income for single borrowers and single head of household borrowers is defined as adjusted gross income (AGI) minus $7,087; discretionary income for married borrowers is AGI minus $8,517. Therefore, under the revised formula, no payment will be required of single borrowers or single head of household borrowers with incomes of $7,087 or less, and no payments will be required of married borrowers with income of $8,517 or less. The Secretary believes that the threshold income levels discussed above are reasonable measures for determining discretionary income.

Except for the protection that borrowers never pay more than 20 percent of their discretionary income under the proposed formula, the formula increases payment amounts directly in proportion to the amount borrowed. Therefore, payments required under the proposed formula increase more significantly in relation to amounts borrowed than under the current formula, and this proposed plan is more likely to discourage over-borrowing than the current plan.

Under the current formula, payments are a flat percentage of income for any given debt. Thus, as annual income rises from $10,000 to $100,000, the expected repayment amount increases by a factor of 10. This variance is too wide and results in a plan that is not useful for many borrowers because the monthly repayment amount is too large for higher income borrowers. The Secretary believes that it would be more appropriate to structure a plan so that, for any given debt level, the highest repayment amounts should be no more than four times the lowest payments for most borrowers.

Because the new formula uses a factor relative to income and takes debt into greater consideration, payments are no longer a flat percentage of income. Under the proposed plan, while payments increase significantly in relation to amounts borrowed, the highest repayment amount at any debt level is no more than four times the lowest payment for that debt level. Limiting the variance in repayment amounts results in some borrowers at higher income levels repaying a smaller percentage of total income than borrowers at lower income levels with the same level of debt; however, the borrowers with higher income levels will make larger monthly payments than the borrowers with lower income levels. The income percentage factors ensure that payments increase with income, that borrowers pay what they can afford to pay, and that borrowers repay their loans within a reasonable period of time.

Under the existing income contingent repayment plan, borrowers choose between two repayment formulas. The choice of two repayment calculation options may have confused borrowers. In addition, under one of these options, the ''capped amount,'' borrowers repay under an income contingent repayment plan that does not take income into account. Under the proposed plan, there is only one repayment formula. This change would reduce borrower confusion and simplify administration of the income contingent repayment plan.

In addition to the improvements listed above, for many low- to middle-income borrowers the proposed formula plan offers lower monthly payment amounts. For borrowers with annual incomes between $15,000 and $35,000 and average levels of debt, the revised repayment formula offers lower monthly repayment amounts than the current plan. However, the proposed formula does not significantly increase the number of borrowers who have not paid in full after 25 years. In fact, for medium- and high-income borrowers, who represent 75 percent of total borrowers, the percentage who repay within 25 years increases.

Finally, the current plan has been criticized for allowing borrowers to make monthly payments that are less than interest accrued (that is, borrowers may go into negative amortization). Recognizing that borrowers cannot always afford to make payments to cover interest, the Secretary also understands the importance of avoiding negative amortization whenever possible. Under the proposed plan, the overall percentage of borrowers who experience a period of negative amortization is expected to decrease slightly.

Examples of the calculation of monthly repayment amounts, together with tables showing the repayment amounts for borrowers at various income and debt levels, are included in Appendix A to the regulations.

Minimum Payments

Under the current plan, borrowers with a calculated monthly payment below $15 are not required to make any payment. The Secretary proposes to change this provision. Instead, all borrowers with a calculated repayment amount greater than zero would be required to make payments. Further, the Secretary proposes requiring borrowers with a calculated repayment amount that is at least 1 cent but less than $2.00 to make a two dollar payment. The Secretary believes that removing the minimum payment threshold promotes responsible repayment practices. Even if borrowers are required to repay only a small amount each month, this requirement will ensure that borrowers are in the habit of repaying and remain in contact with the Direct Loan Servicing Center. Under this approach, borrowers with very low incomes may still have a calculated monthly payment of zero.

The Secretary also requests comments on establishing a policy whereby borrowers who are repaying under the income contingent repayment plan (and who are not in deferment or forbearance) would always make a monthly payment, even if their calculated monthly repayment amount is $0. The Secretary solicits comments and supporting arguments on whether requiring monthly payments of all borrowers would promote responsible repayment practices and help to prevent defaults. The Secretary also solicits comments and supporting evidence about what an appropriate minimum repayment level would be, if one were to be required.

Treatment of Married Borrowers

Under the current regulations, a married borrower who files a Federal income tax return separately from his or her spouse is not required to provide any income information concerning his or her spouse (unless the spouses are repaying their loans jointly). The Secretary has determined that this policy may prevent an accurate assessment of the borrower's ability to repay the loan and may allow for uneven treatment of married borrowers, depending upon whether they file their income tax separately or jointly. Section 455(e)(3) of the HEA provides the Secretary with the authority to obtain additional information concerning a borrower's income when AGI does not reasonably reflect the borrower's income. Therefore, in order to assess accurately the borrower's ability to repay, the Secretary proposes requiring married borrowers who do not file joint tax returns with their spouses and who choose to repay under the income contingent repayment plan to obtain a consent to disclosure of tax information from their spouses. This policy will ensure that the Secretary obtains the AGI of both the borrower and the borrower's spouse; the couple's joint AGI will be used to calculate the borrower's repayment amount. However, the Secretary would not require a spouse's tax return information if the spouses are legally separated.

In addition, under the current regulations, for married borrowers who each have loans and who choose to repay their loans jointly under the income contingent repayment plan, the Secretary assumes that the AGI for each married borrower is proportionate to the relative size of the borrower's individual debt. The Secretary proposes to eliminate the assumption that the AGI for each married borrower is proportionate to debt in order to assess more accurately borrowers' ability to repay. Under the proposed repayment formula, the repayment amounts for married borrowers who repay jointly are based on their combined AGIs and their combined debts. A step-by-step calculation of a combined amount is included as Example 2 in Appendix A.

Married borrowers who each have outstanding balances on Direct Loans are not required to repay their loans jointly. However, even if only one borrower chooses to repay under the income contingent repayment plan, the Secretary will use the AGI of both spouses to determine the payback rate of the borrower who is repaying under the income contingent repayment plan.

Cohort of Borrowers Affected by New Plan

When these regulations become effective, this new formula will apply to borrowers who select the income contingent repayment plan when they enter repayment and to borrowers who are in other repayment plans and switch into the income contingent repayment plan on or after July 1, 1996. Borrowers who are already in repayment under the income contingent repayment plan will continue under the current formula, although they will be given the option of converting to the new formula.

Borrowers in Their First and Second Years of Repayment

The Secretary proposes requiring borrowers who are in their first and second years of repayment and who are repaying under the income contingent repayment plan to submit alternative documentation of their income (that is, other than IRS-reported AGI) to the Secretary, when, in the Secretary's opinion, the borrower's reported AGI does not reasonably reflect the borrower's current income. Under current regulations, the previous year's IRS-reported AGI is used to calculate the monthly payment amount for all borrowers. However, borrowers in their first year of repayment have recently left school, and their incomes while in school were likely lower than their incomes after leaving school. Therefore, if these borrowers filed taxes while they were in school, the AGI representing the year prior to the year they entered repayment would not, in most cases, reflect their current income and their current ability to repay their loans. In addition, borrowers may need some time to find their first job after graduation. Therefore, the AGI the secretary would obtain for the borrower's second year of repayment still might not reflect current income. As discussed above, the HEA provides the Secretary with the authority to obtain additional information concerning a borrower's income when the AGI does not reasonably reflect the borrower's income (see section 455(e)(3) of the HEA). The Secretary believes that, for the majority of borrowers, the AGI will not accurately reflect a borrower's income or ability to repay during the first and second years of repayment. Therefore, the Secretary proposes to request alternative documentation of income from these borrowers under the statutory authority provided in the HEA, when, in the Secretary's opinion, the borrower's reported AGI does not reasonably reflect the borrower's current income.

Executive Order 12866

1. Assessment of Costs and Benefits

These proposed regulations have been reviewed in accordance with Executive Order 12866. Under the terms of the order the Secretary has assessed the potential costs and benefits of this proposed regulatory action.

The plan does not impose unacceptable new costs; it would increase costs of the Federal Government by an estimated $145 million over 5 years. This increase in costs represents only a 2 percent increase in overall program costs. Costs increase under this proposed plan because low-income borrowers make lower payments than under the current formula and some do not fully repay; in addition, high-income high-debt borrowers repay their loans more quickly than under the current formula and, therefore, pay less in interest. Although not reflected in the cost estimate, this proposal may actually reduce long-term costs because under the income contingent repayment plan, defaults may decrease. Defaults may decrease because payments will be more affordable under the income contingent repayment plan than under other available repayment plans. The Secretary has determined that the potential costs associated with the proposed regulations are necessary for administering the income contingent repayment plan effectively and efficiently. Burdens specifically associated with information collection requirements, if any, are explained elsewhere in the preamble under the heading of Paperwork Reduction Act of 1995.

In assessing the potential costs and benefits—both quantitative and qualitative—of these proposed regulations, the Secretary has determined that the benefits of the proposed regulations justify the costs. A further discussion of the benefits and costs of the proposed regulations is contained in the summary of the provisions proposed.

The Secretary has also determined that this regulatory action does not unduly interfere with State, local, and tribal governments in the exercise of their governmental functions.

To assist the Department in complying with the specific requirements of Executive Order 12866, the Secretary invites comment on whether there may be further opportunities to reduce any potential costs or increase potential benefits resulting from these proposed regulations without impeding the effective and efficient administration of the title IV, HEA programs.

2. Clarity of the Regulations

Executive Order 12866 requires each agency to write regulations that are easy to understand.

The Secretary invites comments on how to make these regulations easier to understand, including answers to questions such as the following: (1) Are the requirements in the regulations clearly stated? (2) Do the regulations contain technical terms or other wording that interferes with their clarity? (3) Does the format of the regulations (grouping and order of sections, use of headings, paragraphing, etc.) aid or reduce their clarity? Would the regulations be easier to understand if they were divided into more (but shorter sections? (A "section" is preceded by the symbol "§" and a numbered heading; for example, § 685.209 *Income Contingent Repayment Plan.*) (4) Is the description of the proposed regulations in the "Supplementary Information" section of this preamble helpful in the understanding of the proposed regulations? How could this description be more helpful in making the proposed regulations easier to understand? (5) What else could the Department do to make the regulations easier to understand?

A copy of any comments that concern whether these proposed regulations are easy to understand should also be sent to Stanley Cohen, Regulations Quality Officer, U.S. Department of Education, 600 Independence Avenue, SW., (Room 5442 FOB–10), Washington, DC. 20202–2110.

Regulatory Flexibility Act Certification

The Secretary certifies that these proposed regulations would not have a significant economic impact on a substantial number of small entities. The regulations will affect borrowers who are in repayment. They will not have a significant economic impact on any small entities under the Regulatory Flexibility Act.

Paperwork Reduction Act of 1995

Section 685.209 contains an information collection requirement. As required by the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)), the Department of Education has submitted a copy of this section to the Office of Management and Budget (OMB) for its review.

Collection of Information

Income Contingent Repayment Plan Consent to Disclosure of Tax Information form from spouses of married borrowers who file separately and select the income contingent repayment plan and collection of alternative documentation of income from borrowers in their first and second years of repayment, when in the opinion of the Secretary, AGI does not reasonably reflect a borrower's current income.

Married Borrowers

Under the current regulations, a married borrower who is not repaying jointly with his or her spouse is not required to provide any income information concerning his or her spouse unless the couple files their taxes jointly. The Secretary proposes requiring all spouses of married borrowers who choose to repay under income contingent repayment to complete the Income Contingent Repayment Plan Consent to Disclosure of Tax Information form. This policy will ensure that the Secretary obtains the AGI of both the borrower and the borrower's spouse and will enable to the Secretary to assess more accurately a borrower's ability to repay.

First and Second Year Borrowers

The Secretary proposes requiring borrowers who are in their first and second years of repayment and who are repaying under the Income Contingent Repayment Plan to complete the Income Contingent Repayment Plan Request of Alternative Documentation of Income Form when, in the Secretary's opinion, AGI does not reasonably reflect the borrower's current income.

Spouses of married borrowers would be required to provide consent to tax disclosure only once every five years. The Secretary estimates that all first and most second year borrowers would be required to provide alternative documentation of income annually, while in the first two years of repayment.

Annual public reporting burden for this collection of information is estimated to average .32 hours for each of the estimated 230,288 individuals providing information regarding Income Contingent Repayment Information (total annual reporting burden equals 73,692 hours).

Organizations and individuals desiring to submit comments on the information collection requirements should direct them to the Office of Information and Regulatory Affairs, OMB, room 10235, New Executive Office Building, Washington, D.C. 20503; Attention: Desk Officer for U.S. Department of Education.

The Department considers comments by the public on this proposed collection of information in—

- Evaluating whether the proposed collection of information is necessary for the proper performance of the functions of the Department, including whether the information will have practical use;
- Evaluating the accuracy of the Department's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhancing the quality, usefulness, and clarity of the information to be collected; and
- Minimizing the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology; e.g., permitting electronic submission of responses.

OMB is required to make a decision concerning the collection of information contained in these proposed regulations between 30 and 60 days after publication of this document in the Federal Register. Therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication. This does not affect the deadline for the public to comment to the Department on the proposed regulations.

Invitation To Comment

Interested persons are invited to submit comments and recommendations regarding these proposed regulations. All comments submitted in response to these proposed regulations will be available for public inspection, during and after the comment period, in room 4624, Regional Office Building 3, 7th and D Streets SW., Washington, DC, between the hours of 8:30 a.m. and 4 p.m., Monday through Friday of each week except federal holidays.

Assessment of Educational Impact

The Secretary particularly requests comments on whether the proposed regulations in this document would require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

List of Subjects in 34 CFR Part 685

Administrative practice and procedure, Colleges and universities, Education, Loan programs-education, Reporting and recordkeeping requirements, Student aid, Vocational education.

Dated: September 13, 1995.

Richard W. Riley,

Secretary of Education.

(Catalog of Federal Domestic Assistance Number 84.268, William D. Ford Federal Direct Loan Program)

The Secretary proposes to amend Part 685 of Title 34 of the Code of Federal Regulations as follows:

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

1. The authority citation continues to read as follows:

Authority: 20 U.S.C. 1087a *et seq.*

2. Section 685.209 is amended by revising paragraphs (a) and (b); removing paragraph (c) and redesignating paragraph (d) as paragraph (c); in newly designated paragraph (c), redesignating paragraphs (c)(2) through (5) as (c)(4) through (7), respectively; and adding new paragraphs (c)(2) and (c)(3) to read as follows:

§ 685.209 Income contingent repayment plan.

(a) *Repayment amount calculation.* (1) The amount the borrower would repay is based upon the borrower's Direct Loan debt when the borrower's first loan enters repayment, and this basis for calculation does not change unless the borrower obtains another Direct Loan or the borrower and the borrower's spouse obtain approval to repay their loans jointly under paragraph (b)(2) of this section. If the borrower obtains another Direct Loan, the amount the borrower would repay is based on the combined amounts of the loans when the last loan enters repayment. If the borrower and the borrower's spouse repay the loans jointly, the amount the borrowers would repay is based on both borrowers' Direct Loan debt at the time they enter joint repayment.

(2) The annual amount payable under the income contingent repayment plan by a borrower is the lesser of—

(i) The amount the borrower would repay annually over 12 years using standard amortization multiplied by an income percentage factor that corresponds to the borrower's adjusted gross income (AGI) as shown in the income percentage factor table in Appendix A; or

(ii) 20 percent of discretionary income.

(3) For purposes of this section, *discretionary income* is AGI minus—

(i) For a single borrower, the lowest amount shown in the income percentage factor table in Appendix A for single borrowers;

(ii) For a single head of household borrower, the lowest amount shown in the income percentage factor table in Appendix A for head of household borrowers; or

(iii) For a married borrower, the lowest amount shown in the income percentage factor table in Appendix A for married borrowers.

(4) For exact incomes not shown in the income percentage factor table in

Appendix A, an income percentage factor is calculated, based upon the intervals between the incomes and income percentage factors shown on the table.

(5) Each year, the Secretary recalculates the borrower's annual payment amount based on changes in the borrower's AGI, the variable interest rate, and the income percentage factors in Table A.

(6) For purposes of the annual recalculation described in paragraph (a)(4), after periods in which a borrower makes payments that are less than interest accrued on the loan, the payment amount is recalculated based upon unpaid accrued interest and the highest outstanding principal loan amount (including amount capitalized) calculated for that borrower while paying under the income contingent repayment plan.

(7) For each calendar year after calendar year 1996, the Secretary publishes in the Federal Register a revised income percentage factor table reflecting changes based on inflation. This revised table is developed by changing each of the dollar amounts contained in the table by a percentage equal to the estimated percentage changes in the Consumer Price Index (as determined by the Secretary) between December 1995 and the December next preceding the beginning of such calendar year.

(8) Examples of the calculation of monthly repayment amounts and tables that show monthly repayment amounts for borrowers at various income and debt levels are included in Appendix A to this part.

(b) *Treatment of married borrowers.* (1) A married borrower who wishes to repay under the income contingent repayment plan and who has filed an income tax return separately from his or her spouse must provide his or her spouse's written consent to the disclosure of certain tax return information under paragraph (c)(5) of this section (unless the borrower is legally separated from his or her spouse). The AGI for both spouses is used to calculate the monthly repayment amount.

(2) Married borrowers may repay their loans jointly. The outstanding balance on the loans of each borrower are added together to determine the borrowers' payback rate under (a)(1) of this section.

(3) The amount of the payment applied to each borrower's debt is the proportion of the payments that equals the same proportion as that borrower's debt to the total outstanding balance, except that the payment is credited toward outstanding interest on any loan before any payment is credited toward principal.

(c) * * *

(2) *First and second year borrowers.* The Secretary requires alternative documentation of income from borrowers in their first and second years of repayment, when in the Secretary's opinion, the borrower's reported AGI does not reasonably reflect the borrower's current income.

(3) *Adjustments to repayment obligations.* The Secretary may determine that special circumstances, such as a loss of employment by the borrower or the borrower's spouse, warrant an adjustment to the borrower's repayment obligations.

* * * * *

3. Appendix A to part 685 is revised to read as follows:

Appendix A Income Contingent Repayment

Examples of the Calculation of Monthly Repayment Amounts

Example 1. A single borrower with $12,500 of Direct Loans, 8.25 percent interest and an AGI of $25,000.

Step 1: Determine annual payments based on what the borrower would pay over 12 years using standard amortization. To do this, multiply the principal balance by the constant multiplier for 8.25% interest (0.1315452). 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 the loan. If the exact interest rate is not listed, choose the next highest rate for estimation purposes.)

■ 0.1315452×12,500=1,644.315

Step 2: Multiply the result by the income percentage factor shown in the income percentage factor table that corresponds to the borrower's income (if the income is not listed, you can "interpolate" by following the instructions under the *interpolation* heading below):

■ 85.55% (0.8555)×1,644.315=1,406.7115

Step 3: Determine 20 percent of discretionary income. To do this, subtract the lowest income for single borrowers shown in the income percentage factor table from the borrower's income and multiply the result by 20%:

■ $25,000 − $7,087=$17,913

■ $17,913×0.20=$3,582.60

Step 4: Compare the amount from *step 2* with the amount from *step 3.* The lower of the two will be the borrower's annual payment amount. This borrower will be paying the amount calculated under *step 2.* To determine the monthly repayment amount, divide the annual amount by 12.

■ 1,406.7115÷12=$117.23

Example 2. Married borrowers both repaying under the income contingent repayment plan with a combined Adjusted Gross income (AGI) of $30,000. The husband has a Direct Loan balance of $5,000, and the wife has a Direct Loan balance of $15,000.

Step 1: Add the Direct Loan balances of the husband and wife together to determine the aggregate loan balance.

■ $5,000+$15,000=$20,000

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

■ 0.1315452×20,000=2630.904

Step 3: Multiply the result by the income percentage factor shown in the income percentage factor table that corresponds to the couple's income (if the income is not listed, you can "interpolate" by following the instructions under the *interpolation* heading below):

■ 82.74% (0.8274)×2,630.904=2,176.80997

Step 4: Determine 20 percent of the couple's discretionary income. To do this, subtract the lowest income for married borrowers shown in the income percentage factor table from the couple's income and multiply the result by 20%:

■ $30,000 − $8,517=$21,483

■ $21,483×0.20=$4,296.60

Step 5: Compare the amount from *step 3* with the amount from *step 4.* The lower of the two will be the annual payment amount. The married borrowers will be paying the amount calculated under *step 3.* To determine the monthly repayment amount, divide the annual amount by 12.

■ $2,176.80997÷12=$181.40

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, let's say you are single and your income is $26,000. To interpolate, you must first find the interval between the closest income listed that is less than $26,000 and the closest income listed that is greater than $26,000 (for this discussion, we'll call the result "the income interval"):

■ $27,122 − $25,000=$2,122

Next, find the interval between the two income percentage factors that are given for these incomes (for this discussion, we'll call the result, the "income percentage factor interval"):

■ 88.77 − 85.55=3.22

Subtract the income shown on the chart that is immediately less than $26,000 from $26,000:

■ $26,000 − $25,000=1,000

Divide the result by the number representing the income interval:

■ 1,000÷2,122=0.4713

Multiply the result by the income percentage factor interval:

■ 0.4713×3.22=1.52

Add the result to the lower income percentage factor used to calculate the income percentage factor interval for $26,000 in income:

■ 1.52+85.55=87.07%

INCOME PERCENTAGE FACTORS

[Based on annual income]

Single		Married		Head of Household	
Income	Percent factor	Income	Percent factor	Income	Percent factor
7,087	55.00	8,517	50.52	7,087	50.52
9,752	57.79	10,000	52.72	10,000	54.90
10,000	58.03	12,678	56.68	11,183	56.68
12,548	60.57	15,000	59.29	13,328	59.56
15,000	65.42	18,139	62.83	15,000	62.92
15,409	66.23	20,000	64.98	17,424	67.79
18,139	71.89	23,536	69.07	20,000	72.39
20,000	76.44	25,000	72.31	21,585	75.22
21,585	80.33	29,127	81.46	25,000	82.87
25,000	85.55	30,000	82.74	27,112	87.61
27,112	88.77	35,000	90.09	30,000	92.80
30,000	93.48	35,434	90.73	34,003	100.00
34,003	100.00	40,000	96.87	35,000	100.00
35,000	100.00	42,325	100.00	40,000	100.00
40,000	100.00	50,000	100.00	40,895	100.00
40,895	100.00	52.663	100.00	50,000	108.28
49,152	111.80	60,000	106.92	51,233	109.40
50,000	112.52	68,787	115.20	60,000	117.34
60,000	121.01	70,000	115.76	68,462	125.00
62,935	123.50	80,000	120.40	70,000	125.99
70,000	128.27	90,000	125.04	80,000	132.46
80,000	135.03	94,663	127.20	90,000	138.93
89,137	141.20	100,000	128.73	92,583	140.60
90,000	141.78	126,822	136.40	100,000	142.49
100,000	148.52	150,000	142.02	129,481	150.00
102,205	150.00	176,713	148.50	150,000	162.50
150,000	179.93	200,000	162.71	200,000	192.95
182,045	200.00	250,000	193.23	211,581	200.00
		261,096	200.00		

CONSTANT MULTIPLIER CHART

Interest Rate	7.00%	7.25%	7.43%	7.50%	7.75%	8.00%	8.25%	8.38%	8.50%	8.75%	9.00%
Annual Constant Multiplier	0.1234056	0.1250112	0.126174	0.1266276	0.1282548	0.129894	0.1315452	0.132408	0.1332072	0.123488	0.1365636

BILLING CODE 4000–01–M

Income Contingent Repayment Plan

Sample First-year Monthly Repayment Amounts for a Single Borrower at Various Income and Debt Levels

	Initial Debt																							
Income	$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	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
9,000	16	31	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
10,000	16	32	48	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
12,500	17	33	50	66	83	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
15,000	18	36	54	72	90	108	126	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132
17,500	19	39	58	77	97	116	135	155	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174
20,000	21	42	63	84	105	126	147	168	189	210	215	215	215	215	215	215	215	215	215	215	215	215	215	215
22,500	22	45	67	90	112	134	157	179	202	224	257	257	257	257	257	257	257	257	257	257	257	257	257	257
25,000	23	47	70	94	117	141	164	188	211	234	281	299	299	299	299	299	299	299	299	299	299	299	299	299
30,000	26	51	77	102	128	154	179	205	231	256	307	359	382	382	382	382	382	382	382	382	382	382	382	382
35,000	27	55	82	110	137	164	192	219	247	274	329	384	438	465	465	465	465	465	465	465	465	465	465	465
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	549	549	549	549	549	549	549	549	549
45,000	29	58	87	116	145	174	203	232	261	290	348	406	464	522	580	632	632	632	632	632	632	632	632	632
50,000	31	62	93	123	154	185	216	247	278	308	370	432	493	555	617	678	715	715	715	715	715	715	715	715
55,000	32	64	96	128	160	192	224	256	288	320	384	448	512	576	640	704	768	799	799	799	799	799	799	799
60,000	33	66	99	133	166	199	232	265	298	332	398	464	531	597	663	730	796	862	882	882	882	882	882	882
65,000	34	68	103	137	171	205	240	274	308	342	411	479	548	616	685	753	821	890	958	965	965	965	965	965
70,000	35	70	105	141	176	211	246	281	316	352	422	492	562	633	703	773	844	914	984	1,049	1,049	1,049	1,049	1,049
75,000	36	72	108	144	180	216	253	289	325	361	433	505	577	649	722	794	866	938	1,010	1,082	1,132	1,132	1,132	1,132
80,000	37	74	111	148	185	222	259	296	333	370	444	518	592	666	740	814	888	962	1,036	1,110	1,184	1,215	1,215	1,215
85,000	38	76	114	152	190	228	266	303	341	379	455	531	607	683	759	834	910	986	1,062	1,138	1,214	1,290	1,299	1,299
90,000	39	78	117	155	194	233	272	311	350	389	466	544	622	699	777	855	933	1,010	1,088	1,166	1,243	1,321	1,382	1,382
95,000	40	80	119	159	199	239	278	318	358	398	477	557	636	716	796	875	955	1,034	1,114	1,193	1,273	1,352	1,432	1,465
100,000	41	81	122	163	204	244	285	326	366	407	488	570	651	733	814	895	977	1,058	1,140	1,221	1,302	1,384	1,465	1,549

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

Income Contingent Repayment Plan

Sample First-year Monthly Repayment Amounts for a Head of Household Borrower at Various Income and Debt Levels

	Initial Debt																							
Income	$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	14	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
9,000	15	29	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
10,000	15	30	45	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
12,500	16	32	48	64	80	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
15,000	17	34	52	69	86	103	121	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132
17,500	19	37	56	74	93	112	130	149	168	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174
20,000	20	40	60	79	99	119	139	159	179	198	215	215	215	215	215	215	215	215	215	215	215	215	215	215
22,500	21	42	64	85	106	127	148	169	191	212	254	257	257	257	257	257	257	257	257	257	257	257	257	257
25,000	23	45	68	91	114	136	159	182	204	227	273	299	299	299	299	299	299	299	299	299	299	299	299	299
30,000	25	51	76	102	127	153	178	203	229	254	305	356	382	382	382	382	382	382	382	382	382	382	382	382
35,000	27	55	82	110	137	164	192	219	247	274	329	384	438	465	465	465	465	465	465	465	465	465	465	465
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	549	549	549	549	549	549	549	549	549
45,000	28	57	85	114	142	171	199	227	256	284	341	398	455	512	569	625	632	632	632	632	632	632	632	632
50,000	30	59	89	119	148	178	208	237	267	297	356	415	475	534	593	653	712	715	715	715	715	715	715	715
55,000	31	62	93	124	155	185	216	247	278	309	371	433	495	556	618	680	742	799	799	799	799	799	799	799
60,000	32	64	96	129	161	193	225	257	289	322	386	450	515	579	643	707	772	836	882	882	882	882	882	882
65,000	33	67	100	134	167	200	234	267	301	334	401	468	534	601	668	735	802	868	935	965	965	965	965	965
70,000	35	69	104	138	173	207	242	276	311	345	414	483	552	622	691	760	829	898	967	1,036	1,049	1,049	1,049	1,049
75,000	35	71	106	142	177	212	248	283	319	354	425	496	567	637	708	779	850	921	992	1,062	1,132	1,132	1,132	1,132
80,000	36	73	109	145	182	218	254	290	327	363	436	508	581	653	726	799	871	944	1,016	1,089	1,162	1,215	1,215	1,215
85,000	37	74	112	149	186	223	260	298	335	372	446	521	595	669	744	818	893	967	1,041	1,116	1,190	1,264	1,299	1,299
90,000	38	76	114	152	190	228	267	305	343	381	457	533	609	685	761	838	914	990	1,066	1,142	1,218	1,295	1,371	1,382
95,000	39	77	116	155	194	232	271	310	348	387	464	542	619	697	774	851	929	1,006	1,084	1,161	1,238	1,316	1,393	1,465
100,000	39	78	117	156	195	234	273	312	351	390	469	547	625	703	781	859	937	1,015	1,093	1,171	1,250	1,328	1,406	1,549

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

Income Contingent Repayment Plan

Sample First-year Monthly Repayment Amounts for a Married Borrower at Various Income and Debt Levels

	Initial Debt																							
Income	$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	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
10,000	14	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
12,500	15	31	46	62	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
15,000	16	32	49	65	81	97	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108
17,500	17	34	51	68	85	102	119	136	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150
20,000	18	36	53	71	89	107	125	142	160	178	191	191	191	191	191	191	191	191	191	191	191	191	191	191
22,500	19	37	56	74	93	112	130	149	167	186	223	233	233	233	233	233	233	233	233	233	233	233	233	233
25,000	20	40	59	79	99	119	139	159	178	198	238	275	275	275	275	275	275	275	275	275	275	275	275	275
30,000	23	45	68	91	113	136	159	181	204	227	272	317	358	358	358	358	358	358	358	358	358	358	358	358
35,000	25	49	74	99	123	148	173	198	222	247	296	346	395	441	441	441	441	441	441	441	441	441	441	441
40,000	27	53	80	106	133	159	186	212	239	265	319	372	425	478	525	525	525	525	525	525	525	525	525	525
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	608	608	608	608	608	608	608	608
50,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	691	691	691	691	691	691	691
55,000	28	56	84	112	140	168	196	224	252	280	336	392	448	504	560	616	672	728	775	775	775	775	775	775
60,000	29	59	88	117	147	176	205	234	264	293	352	410	469	527	586	645	703	762	820	858	858	858	858	858
65,000	31	61	92	122	153	184	214	245	275	306	367	428	489	551	612	673	734	795	857	918	941	941	941	941
70,000	32	63	95	127	159	190	222	254	286	317	381	444	508	571	634	698	761	825	888	952	1,015	1,025	1,025	1,025
75,000	32	65	97	129	162	194	227	259	291	324	388	453	518	582	647	712	777	841	906	971	1,036	1,100	1,108	1,108
80,000	33	66	99	132	165	198	231	264	297	330	396	462	528	594	660	726	792	858	924	990	1,056	1,122	1,188	1,191
85,000	34	67	101	135	168	202	235	269	303	336	404	471	538	605	673	740	807	874	942	1,009	1,076	1,143	1,211	1,275
90,000	34	69	103	137	171	206	240	274	308	343	411	480	548	617	685	754	822	891	959	1,028	1,097	1,165	1,234	1,358
95,000	35	70	105	140	174	209	244	279	314	349	419	488	558	628	698	767	837	907	977	1,047	1,116	1,186	1,256	1,395
100,000	35	71	106	141	176	212	247	282	318	353	423	494	564	635	706	776	847	917	988	1,058	1,129	1,199	1,270	1,411

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

[FR Doc. 95–23299 Filed 9–19–95; 8:45 am]

BILLING CODE 4000–01–C