Understanding the Repayment Assistance Plan (RAP):

The New Income-Driven Option for Repaying Federal Student Loans

STUDENT LOAN SERVICING ALLIANCE

The Repayment Assistance Plan (RAP), is a federal income-driven repayment plan that can help make federal student loan payments more affordable. This new repayment program also includes protections designed to prevent unpaid interest from increasing the loan balance and to help borrowers make progress toward paying down principal.

Unlike a traditional repayment plan, RAP bases your monthly payment amount on:

- Your adjusted gross income (AGI)
- The number of dependents you claim on your federal tax return

Monthly payments are based on a percentage of your adjusted gross income (AGI), generally ranging from 1% to 10%, depending on income, with a minimum payment of $10 per month.

The best repayment plan depends on your personal financial situation. The Repayment Assistance Plan may be a good option if you:

- Want payments tied to income
- Have dependents, which may help reduce your payment
- Are concerned about unpaid interest increasing your balance
- Want required payments to produce ongoing reduction in principal.

Who Can Enroll?

RAP is available for borrowers with eligible:

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans for graduate or professional students
- Direct Consolidation Loans that do **not** include Parent PLUS loans

Parent PLUS Loans are not eligible. A Direct Consolidation Loan that includes a Parent PLUS Loan is also ineligible for RAP.

How Monthly Payments Are Calculated

RAP uses a sliding scale based on a borrower's adjusted gross income (AGI) and the number of dependents. A resulting monthly payment is reduced by $50 for each dependent claimed on the borrower's federal tax return, with a minimum required payment of $10 per month.

For borrowers who are married and file a joint federal tax return, RAP generally uses the couple's combined income. The payment may be adjusted when both spouses have federal student loans.

For borrowers who file separately, RAP generally uses only the borrower's income and the dependents claimed on that borrower's tax return.

An Example of a RAP Payment Calculation

A borrower with $45,000 in AGI and no dependents would fall within the 4% income bracket.

$45,000 × 4% = $1,800 per year
$1,800 ÷ 12 = $150 per month*

If that borrower claims one dependent, the payment would generally be reduced by $50, resulting in a payment of approximately $100 per month.

*Actual monthly payments may vary based on income, dependents and other eligibility factors.

THE BENEFITS OF RAP:

- **Monthly Payments Are Based On Your Income, Not Your Loan Balance**
  Your monthly payment is based primarily on your adjusted gross income (AGI) and the number of dependents you claim.

- **Your Balance Won't Grow Because of Unpaid Interest**
  If your required, on-time monthly payment is less than the interest that accrues each month, you make your required payment and the remaining unpaid interest is waived. That unpaid interest is not added to your loan balance, helping prevent your balance from growing over time.

- **RAP Helps Reduce Your Loan Balance**
  If your required, on-time monthly payment does not reduce your principal balance by at least $50, the U.S. Department of Education will provide a matching principal payment (up to $50) to help reduce your loan balance.

Together, the interest waiver and matching principal payment help ensure borrowers continue making progress toward paying off their loans.

Loan Forgiveness

If you are enrolled in RAP and still have a balance remaining after making 360 qualifying monthly payments (30 years), your remaining balance may be forgiven. Borrowers pursuing PSLF may qualify for forgiveness after 120 qualifying payments (10 years) if they meet PSLF requirements.

Public Service Loan Forgiveness (PSLF) has separate requirements related to employment, eligible loans and qualifying payments.

Any amount forgiven may be considered taxable income under federal or state tax law in effect at the time of forgiveness.

How to Apply

Eligible borrowers can now apply online at: **StudentAid.gov**.

Applying is easiest if you:

- Have your FSA ID and password
- Consent to allow the IRS to securely share your tax information

Be sure to use the federal repayment calculator or Loan Simulator on StudentAid.gov to estimate your monthly payments and compare all your repayment options. Contact your federal student loan servicer with questions you have about eligibility or enrollment.