

Rhode Island Student Loan Authority Income Based Repayment

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Issue

Summarize the Rhode Island Student Loan Authority (RISLA)'s Income Based Repayment (IBR) program.

Income Based Repayment Program

RISLA's IBR program allows a borrower demonstrating financial hardship to reduce his or her monthly loan payment. Under the program guidelines, a borrower's monthly payment is based on a sliding scale according to the borrower's (and co-borrower's, if applicable) adjusted gross income (AGI) for the previous tax year, updated annually for the life of the loan; family size; and location. The borrower's monthly payments are reduced, but the term of the loan may be extended up to 25 years from the initial repayment date. At the end of the term, the balance of the loan is forgiven. The program's [full guidelines](#) are available on RISLA's website.

Eligibility and Financial Hardship

According to RISLA's [website](#), the IBR program is open to individuals who demonstrate financial hardship and have RISLA non-federal loans. Financial hardship occurs when the standard monthly payment on the RISLA non-federal loans is higher than the monthly payment under the IBR program. (Federal loans, such as Stafford or PLUS loans are not eligible for the RISLA IBR program.)

IBR Repayment Amounts

IBR repayment amounts are determined annually based on the borrower's and co-borrower's (1) income (as determined by their AGI), (2) family size, and (3) location. However, monthly payments will never (1) exceed 15 percent of the borrower's and co-borrower's discretionary income or (2) increase to more than what the borrower paid under the standard repayment plan when he or she chose IBR. (For married borrowers filing a joint tax return, spousal income is included.)

In general, the borrower's and co-borrower's IBR repayment amounts are combined into a total IBR, which is then divided by 12 to get the monthly IBR repayment.

Repayment Terms

Under IBR, the term length for qualified loans is automatically extended to have up to a 25 year repayment term, beginning from the borrower's initial repayment date and excluding any period of deferment or forbearance.

Interest

Interest accrues during the IBR period as normal. However, if the IBR monthly repayment is not enough to pay the accruing interest, interest is not added to the loan principal until the IBR payment ends.

Loan Forgiveness

Any balance of the loan is forgiven after 25 years of qualifying payments. Periods of deferment and forbearance do not count towards qualified repayments.

Required Documentation

The program requires all borrowers to annually submit documentation. If a borrower fails to submit sufficient documentation, he or she may be required to pay the higher amount due under the standard repayment plan. If a borrower does not provide income documentation the IBR period ends and any unpaid interest is added to the loan principal.

Appeals

The program allows an aggrieved individual to appeal in writing to RISLA's executive director within 20 days of an application or determination.

RISLA Background

According to its [website](#), RISLA is a nonprofit, quasi-state authority that offers, among other things, “low-cost, state-based education loans.” According to a RISLA representative, there was no initial state appropriation. Rather, the program capitalized itself through bonding. It is currently self-sustaining and receives no state funds.

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