

Step 3: Determine 20 percent of your discretionary income (your discretionary income is your AGI minus the HHS Poverty Guideline amount for your family size). Because you are a single borrower, subtract the poverty level for a family of one, as published in the **Federal Register** on February 7, 2003 (68 FR 6456), from your AGI and multiply the result by 20 percent:

- $\$33,042 - \$8,980 = \$24,062$
- $\$24,062 \times 0.20 = \$4,812.40$

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.

- $\$1,751.59 \div 12 = \145.97

Example 2. In this example, you are married. You and your spouse have a combined AGI of \$62,439 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 (0.131545). (The 8.25 percent interest rate used in this example is the maximum interest rate that may be charged for all Direct Loans excluding Direct PLUS Loans and certain

Direct PLUS Consolidation Loans; your actual interest rate may be lower. 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.)

- $0.131545 \times \$25,000 = \$3,288.63$

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.):

- $109.40 \times \$3,288.63 \div 100 = \$3,597.76$

Step 4: Determine 20 percent of your discretionary income. To do this, subtract the poverty level for a family of two, as published in the **Federal Register** on February 7, 2003 (68 FR 6456), from your combined AGI and multiply the result by 20 percent:

- $\$62,439 - \$12,120 = \$50,319$
- $\$50,319 \times 0.20 = \$10,063.80$

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.

- $\$3,597.76 \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"):

- $\$26,306 - \$22,108 = \$4,198$

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:

- $\$25,000 - \$22,108 = \$2,892$

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

- $\$2,892 \div \$4,198 = 0.6889$

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

- $8.44\% \times 0.6889 = 5.8143\%$

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:

- $5.8143\% + 71.89\% = 77.70\%$ (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.

2003 INCOME PERCENTAGE FACTORS

[Based on Annual Income]

Single		Married/head of household	
Income	% Factor	Income	% Factor
8,637	55.00	8,637	50.52
11,885	57.79	13,629	56.68
15,293	60.57	16,243	59.56
18,779	66.23	21,234	67.79
22,108	71.89	26,306	75.22
26,306	80.33	33,042	87.61
33,042	88.77	41,439	100.00
41,440	100.00	49,840	100.00
49,840	100.00	62,439	109.40
59,901	111.80	83,435	125.00
76,701	123.50	112,831	140.60
108,633	141.20	157,799	150.00
124,558	150.00	257,856	200.00
221,860	200.00		