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Monday  
July 20, 1998

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**Part III**

**Department of  
Education**

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34 CFR Part 685  
William D. Ford Federal Direct Loan  
Program; Final Rule

## DEPARTMENT OF EDUCATION

## 34 CFR Part 685

## William D. Ford Federal Direct Loan Program

**AGENCY:** Office of Postsecondary Education, Department of Education.

**ACTION:** Final regulations.

**SUMMARY:** These regulations contain revised income percentage factors for the income contingent repayment plan, a repayment plan available in the William D. Ford Federal Direct Loan (Direct Loan) Program. The regulations also contain updated sample income contingent repayment amounts for single and married or head-of-household borrowers at various income and debt levels.

**EFFECTIVE DATE:** These regulations take effect on July 1, 1998.

**FOR FURTHER INFORMATION CONTACT:** Mr. Donald Watson, Management Analyst, Direct Loan Policy, Policy Development Division, U.S. Department of Education, Room 3045, ROB-3, 600 Independence Avenue, SW., Washington, DC 20202-5400. Telephone number: (202) 708-8242. 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.

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**SUPPLEMENTARY INFORMATION:** The Direct Loan income contingent repayment plan regulations are amended to revise the four sources of information contained in Appendix A to 34 CFR Part 685, published on July 1, 1997 (62 FR 35602): examples of how the calculation of the monthly ICR repayment amount is performed, the income percentage factors, the constant multiplier chart, and charts showing sample repayment amounts.

The income percentage factors have been updated to reflect changes based on inflation. The revised income percentage factor table was developed by changing the dollar amounts of the incomes shown by a percentage equal to the estimated percentage change in the Consumer Price Index for all Urban Consumers from December 1997 to December 1998. Further, the examples of the calculations of the monthly repayment amounts and the two charts showing sample repayment amounts for single and married or head of household

borrowers at various income and debt levels have been amended to reflect the updated income percentage factors.

The updated income percentage factors, at any given income, may cause a borrower's payments to be slightly lower than under the income percentage factors published in the July 1, 1997 regulations. These updated income percentage factors more accurately reflect a borrower's current ability to repay than those previously published because the revised factors are based on more recent economic data.

**Waiver of Proposed Rulemaking**

In accordance with the Administrative Procedure Act, 5 U.S.C. 553, it is customary for the Secretary to offer interested parties the opportunity to comment on proposed regulations. However, the changes in this document do not establish any new substantive rules, but simply update the income percentage factors used in the income contingent repayment plan, as required under 34 CFR 685.209(a)(8), and revise sample repayment information accordingly. Therefore, the Secretary has determined that publication of a notice of proposed rulemaking is unnecessary and contrary to the public interest under 5 U.S.C. 553(b)(B). For the same reasons, the Secretary waives the 30-day delayed effective date under 5 U.S.C. 553(d).

**Paperwork Reduction Act of 1995**

These regulations have been examined under the Paperwork Reduction Act of 1995 and have been found to contain no information collection requirements.

**Regulatory Flexibility Act Certification**

The Secretary certifies that these regulations will not have significant economic impact on a substantial number of small entities. The regulations will affect borrowers who are in repayment and will not affect institutions participating in the Direct Loan Program. The Regulatory Flexibility Act does not include individuals in its definition of "small entities." Thus, the changes will not have a significant economic impact on any small entities under the Regulatory Flexibility Act.

**Assessment of Educational Impact**

The Secretary has determined that the regulations in this document would not require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

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**Note:** The official version of this document is the document published in the **Federal Register**.

**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: July 13, 1998.

**Richard W. Riley,**  
*Secretary of Education.*

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

The Secretary amends 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 for Part 685 continues to read as follows:

**Authority:** 20 U.S.C. 1087a *et seq.*, unless otherwise noted.

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

**Appendix A to part 685—Income Contingent Repayment**

*Examples of the Calculations of Monthly Repayment Amounts*

*Example 1.* A single borrower with \$15,000 of Direct Loans, 8.25 percent interest rate, and an adjusted gross income (AGI) of \$23,356.

*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 percent 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, use the next highest for estimation purposes.)

- $0.1315452 \times \$15,000 = \$1,973.18$

**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 calculate the applicable income percentage factor by following the instructions under the interpolation heading below):

- $80.33\% (0.8033) \times \$1,973.18 = \$1,585.06$

**Step 3:** Determine 20 percent of discretionary income. For a single borrower, subtract the poverty level for a family of one, as published in the **Federal Register** on February 24, 1998 (63 FR 9235), from the borrower's income and multiply the result by 20%:

- $\$23,356 - \$8,050 = \$15,306$
- $\$15,306 \times 0.20 = \$3,061.20$

**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.

- $\$1,585.06 \div 12 = \$132.09$

**Example 2.** Married borrowers repaying jointly under the income contingent repayment plan with a combined AGI of \$29,337. The husband has a Direct Loan balance of \$10,000, and the wife has a Direct Loan balance of \$15,000. The interest rate is 8.25 percent. This couple has no children.

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

- $\$10,000 + \$15,000 = \$25,000$

**Step 2:** Determine the annual payment 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 percent 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.)

- $0.1315452 \times \$25,000 = \$3,288.63$

**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 calculate the applicable income percentage factor by following the instructions under the interpolation heading below):

- $87.61\% (0.8761) \times \$3,288.63 = \$2,881.17$

**Step 4:** Determine 20 percent of the couple's discretionary income. To do this, subtract the poverty level for a family of 2, as published in the **Federal Register** on February 24, 1998 (63 FR 9235), from the couple's income and multiply the result by 20 percent:

- $\$29,337 - \$10,850 = \$18,487$
- $\$18,487 \times 0.20 = \$3,697.40$

**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.

- $\$2,881.17 \div 12 = \$240.10$

**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, assume you are single and your income is \$30,000.

**Step 1:** To interpolate, you must first find the interval between the closest income listed that is less than \$30,000 and the closest income listed that is greater than \$30,000. Afterwards, you must subtract these numbers (for this discussion, we will call the result "the income interval"):

- $\$36,793 - \$29,337 = \$7,456$

**Step 2:** Next, find the interval 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"):

- $100.00\% - 88.77 = 11.23\%$

**Step 3:** Subtract the income shown on the chart that is immediately less than \$30,000 from \$30,000:

- $\$30,000 - \$29,337 = \$663$

**Step 4:** Divide the result by the number representing the income interval:

- $\$663 \div \$7,456 = 0.0889$

**Step 5:** Multiply the result by the income percentage factor interval:

- $0.0889 \times 11.23 = 0.9983$

**Step 6:** Add the result to the lower income percentage factor used to calculate the

income percentage factor interval for \$30,000 in income:

- $.9983\% + 88.77\% = 89.77\%$

The result is the income percentage factor that will be used to calculate the monthly repayment amount under the income contingent repayment plan.

**INCOME PERCENTAGE FACTORS**  
[Based on annual income]

Single		Married/head of household	
Income	Percent factor	Income	Percent factor
7,669	55.00	7,669	50.52
10,552	57.79	12,101	56.68
13,578	60.57	14,422	59.56
16,673	66.23	18,853	67.79
19,629	71.89	23,356	75.22
23,356	80.33	29,337	87.61
29,337	88.77	36,793	100.00
36,793	100.00	44,251	100.00
44,251	100.00	55,438	109.40
53,185	111.80	74,080	125.00
68,101	123.50	100,180	140.60
96,452	141.20	140,106	150.00
110,592	150.00	228,943	200.00
196,984	200.00		

**CONSTANT MULTIPLIER CHART FOR 12-YEAR AMORTIZATION**

Interest rate (percent)	Annual constant multiplier
7.00	0.123406
7.25	0.125011
7.46	0.126368
7.50	0.126627
7.75	0.128255
8.00	0.129894
8.25	0.131545
8.38	0.132408
8.50	0.133207
8.75	0.134880
9.00	0.136564

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**Sample First-Year Monthly Repayment Amounts for a Single Borrower at various Income and Debt Levels**

Income	Initial Debt																								
	\$ 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	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	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	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	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	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	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	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	0
9,000	15	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
10,000	16	31	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	
12,500	16	33	49	65	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	74	
15,000	17	35	52	69	87	104	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	116	
17,500	19	37	56	74	93	112	130	140	159	179	199	199	199	199	199	199	199	199	199	199	199	199	199	199	
20,000	20	40	60	80	100	120	140	159	179	199	199	199	199	199	199	199	199	199	199	199	199	199	199	199	
22,500	21	43	64	86	107	129	150	172	193	215	241	241	241	241	241	241	241	241	241	241	241	241	241	241	
25,000	23	45	68	91	113	136	159	181	204	227	272	283	283	283	283	283	283	283	283	283	283	283	283	283	
30,000	25	49	74	98	123	148	172	197	221	246	295	344	366	366	366	366	366	366	366	366	366	366	366	366	
35,000	27	53	80	107	133	160	187	213	240	267	320	373	426	449	449	449	449	449	449	449	449	449	449	449	
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	461	461	461	461	461	461	461	461	461	461	461	
45,000	28	55	83	111	138	166	194	221	249	278	332	387	443	466	466	466	466	466	466	466	466	466	466	466	
50,000	29	59	88	118	147	177	206	236	265	295	354	413	472	531	590	649	699	699	699	699	699	699	699	699	
55,000	31	62	93	124	155	186	219	248	279	310	372	434	496	559	621	683	745	783	783	783	783	783	783	783	
60,000	32	64	96	128	161	193	225	257	289	321	385	449	514	578	642	706	771	835	866	866	866	866	866	866	
65,000	33	66	100	133	166	199	232	265	299	332	398	465	531	597	664	730	796	863	929	949	949	949	949	949	
70,000	34	68	103	137	171	205	239	273	308	342	410	478	547	615	683	752	820	888	957	1025	1033	1033	1033	1033	
75,000	35	70	105	140	175	210	245	280	315	350	420	490	560	630	701	771	841	911	981	1051	1116	1116	1116	1116	
80,000	36	72	108	144	179	215	251	287	323	359	431	502	574	646	718	789	861	933	1005	1076	1148	1199	1199	1199	
85,000	37	73	110	147	184	220	257	294	331	367	441	514	588	661	735	808	882	955	1029	1102	1176	1283	1283	1283	
90,000	38	75	113	150	188	226	263	301	338	376	451	526	601	677	752	827	902	977	1053	1128	1203	1278	1353	1366	
95,000	38	77	115	154	192	231	269	308	346	384	461	538	615	692	769	846	923	1000	1077	1153	1230	1307	1384	1449	
100,000	39	79	118	157	197	236	275	314	355	393	472	550	629	707	786	865	943	1022	1100	1179	1258	1336	1415	1533	

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

**Sample First-Year Monthly Repayment Amounts for a Married or Head-of-household Borrower at various Income and Debt Levels**  
Family Size = 3

Income	Initial Debt																								
	\$ 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	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	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	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	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	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	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	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	0
9,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,000	17	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
17,500	18	36	54	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64
20,000	19	38	57	76	95	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106	106
22,500	20	40	61	81	101	121	142	148	148	148	148	148	148	148	148	148	148	148	148	148	148	148	148	148	148
25,000	22	43	65	86	108	129	151	172	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189	189
30,000	24	49	73	97	122	146	170	194	219	249	273	273	273	273	273	273	273	273	273	273	273	273	273	273	273
35,000	27	53	80	106	133	160	186	213	239	266	319	356	356	356	356	356	356	356	356	356	356	356	356	356	356
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	438	438	438	438	438	438	438	438	438	438	438	438
45,000	28	55	83	110	138	165	193	221	248	276	331	386	441	496	523	523	523	523	523	523	523	523	523	523	523
50,000	29	57	86	115	144	172	201	230	259	287	345	402	460	517	575	606	606	606	606	606	606	606	606	606	606
55,000	30	60	90	120	149	179	209	239	269	299	359	418	478	538	598	657	689	689	689	689	689	689	689	689	689
60,000	31	62	93	124	155	186	217	248	279	310	372	434	496	559	621	683	745	773	773	773	773	773	773	773	773
65,000	32	64	97	129	161	193	225	257	290	322	386	450	515	579	643	708	772	837	856	856	856	856	856	856	856
70,000	33	67	100	133	167	200	233	267	300	333	400	466	533	600	666	733	800	866	933	939	939	939	939	939	939
75,000	34	69	103	138	172	206	241	275	310	344	413	482	551	619	688	757	826	895	963	1023	1023	1023	1023	1023	1023
80,000	35	70	106	141	176	211	247	282	317	352	423	493	564	634	705	775	845	916	986	1057	1106	1106	1106	1106	1106
85,000	36	72	108	144	180	216	252	288	324	360	433	505	577	649	721	793	865	937	1009	1081	1153	1189	1189	1189	1189
90,000	37	74	111	148	184	221	258	295	332	369	442	516	590	664	737	811	885	958	1032	1106	1180	1253	1273	1273	1273
95,000	38	75	113	151	188	226	264	301	339	377	452	528	603	678	754	829	904	980	1055	1131	1206	1281	1356	1356	1356
100,000	39	77	116	154	193	231	270	308	347	385	462	539	616	693	770	847	924	1001	1078	1155	1232	1309	1386	1439	1439

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