

agreement between the secondary institution and the U.S. Government. The Commanding General, Human Resources Command, is responsible for administering the JROTC program and overall policy. Region commanders are responsible for operating and administering the JROTC training conducted within their areas. Completed DA 3126 forms are submitted to the regional ROTC commanders. Data provided on the application is used to determine which schools are selected and addresses such factors as: (1) Receipt of signed applications and agreements; (2) enrollment potential; (3) capacity of the institution to conduct the program; (4) accreditation status; (5) ability to comply with statutory and contractual requirements; and (6) fair and equitable distribution of units throughout the nation.

Dated: May 25, 2005.

**Patricia L. Toppings,**

*Alternate OSD Federal Register Liaison Officer, Department of Defense.*

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## DEPARTMENT OF EDUCATION

### William D. Ford Federal Direct Loan Program

**AGENCY:** Federal Student Aid, Department of Education.

**ACTION:** Notice of the annual updates to the Income Contingent Repayment (ICR) plan formula for 2005.

**SUMMARY:** The Secretary announces the annual updates to the ICR plan formula for 2005. Under the William D. Ford Federal Direct Loan (Direct Loan) Program, borrowers may choose to repay their student loans (Direct Subsidized Loan, Direct Unsubsidized Loan, Direct Subsidized Consolidation Loan, and Direct Unsubsidized Consolidation Loan) under the ICR plan, which bases the repayment amount on the borrower's income, family size, loan amount, and interest rate. Each year, we adjust the formula for calculating a borrower's payment to reflect changes due to inflation. This notice contains the adjusted income percentage factors for 2005 and charts showing sample repayment amounts based on the adjusted ICR plan formula. It also contains examples of how the calculation of the monthly ICR amount is performed and a constant multiplier chart for use in performing the calculations. The adjustments for the ICR plan formula contained in this

notice are effective from July 1, 2005 to June 30, 2006.

**FOR FURTHER INFORMATION CONTACT:** Don Watson, U.S. Department of Education, room 11412, UCP, 400 Maryland Avenue, SW., Washington, DC 20202-5400. Telephone: (202) 377-4008.

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**SUPPLEMENTARY INFORMATION:** Direct Loan Program borrowers may choose to repay their Direct Subsidized Loan, Direct Unsubsidized Loan, Direct Subsidized Consolidation Loan, and Direct Unsubsidized Consolidation Loan under the ICR plan. The attachment to this notice provides updates to examples of how the calculation of the monthly ICR amount is performed, the income percentage factors, the constant multiplier chart, and charts showing sample repayment amounts.

We have updated the income percentage factors to reflect changes based on inflation. We have revised the table of income percentage factors 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 2004 to December 2005. Further, we provide examples of monthly repayment amount calculations and two charts that show sample repayment amounts for single and married or head-of-household borrowers at various income and debt levels based on 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 they were in prior years. This updated amount more accurately reflects the impact of inflation on a borrower's current ability to repay.

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

Dated: June 13, 2005.

**Theresa S. Shaw,**

*Chief Operating Officer, Federal Student Aid.*

#### Attachment—Examples of the Calculations of Monthly Repayment Amounts

*Example 1.* This example assumes you are a single borrower with \$15,000 in Direct Loans, the interest rate being charged is 8.25 percent, and you have an adjusted gross income (AGI) of \$34,301. (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.)

*Step 1:* Determine your annual payments based on what you would pay over 12 years using standard amortization. To do this, multiply your loan balance by the constant multiplier for 8.25 percent interest (0.131545). The constant multiplier is a factor used to calculate amortized payments at a given interest rate over a fixed period of time. 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 rate for estimation purposes.

- $0.131545 \times \$15,000 = \$1,973.18$

*Step 2:* Multiply the result of Step 1 by the income percentage factor shown in the income percentage factors table that corresponds to your income and then divide the result by 100 (if your 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):

- $88.77 \times \$1,973.18 \div 100 = \$1,751.59$

*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 18, 2005 (70 FR 8373), from your AGI and multiply the result by 20 percent:

- $\$34,301 - \$9,570 = \$24,731$
- $\$24,731 \times 0.20 = \$4,946.20$

*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 \$64,819 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. (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.)

*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). 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 rate 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 18, 2005 (70 FR 8373), from your combined AGI and multiply the result by 20 percent:

- $\$64,819 - \$12,830 = \$51,989$
- $\$51,989 \times 0.20 = \$10,397.80$

*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"):

- $\$27,308 - \$22,951 = \$4,357$

*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:

- $\$25,000 - \$22,951 = \$2,049$

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

- $\$2,049 \div \$4,357 = 0.4703$

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

- $8.44\% \times 0.4703 = 3.9693\%$

*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:

- $3.9693 + 71.89\% = 75.86\%$  (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.

**INCOME PERCENTAGE FACTORS FOR 2005**

(Based on annual income)

Single		Married/head of household	
Income	Factor (percent)	Income	Factor (percent)
8,967	55.00	8,967	50.52
12,338	57.79	14,149	56.68
15,876	60.57	16,862	59.56
19,495	66.23	22,043	67.79
22,951	71.89	27,308	75.22
27,308	80.33	34,301	87.61
34,301	88.77	43,018	100.00
43,019	100.00	51,739	100.00
51,739	100.00	64,819	109.40
62,184	111.80	86,614	125.00
79,624	123.50	117,131	140.60
112,773	141.20	163,813	150.00
129,305	150.00	267,682	200.00
230,315	200.00		

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

Interest rate (percent)	Annual constant multiplier
2.875	0.098632

## CONSTANT MULTIPLIER CHART FOR 12-YEAR AMORTIZATION—Continued

Interest rate (percent)	Annual constant multiplier
3.500 .....	0.102174
4.000 .....	0.105063
4.500 .....	0.108001
5.000 .....	0.110987
5.500 .....	0.114021
6.000 .....	0.117102
6.500 .....	0.120231
7.000 .....	0.123406
7.500 .....	0.126627
8.250 .....	0.131545

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

Income	Initial Debt																				
	\$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	\$70,000	\$80,000	\$90,000	\$100,000	
5,000	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
7,000	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
9,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
12,500	32	48	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
15,000	33	49	66	82	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91
17,500	35	52	69	86	104	121	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132
20,000	37	55	74	92	110	129	147	165	174	174	174	174	174	174	174	174	174	174	174	174	174
22,500	39	59	78	98	117	136	156	175	195	216	216	216	216	216	216	216	216	216	216	216	216
25,000	42	62	83	104	125	146	166	187	208	249	257	257	257	257	257	257	257	257	257	257	257
30,000	46	69	92	115	137	160	183	206	229	275	321	341	341	341	341	341	341	341	341	341	341
35,000	49	74	98	123	147	172	197	221	246	295	344	393	423	423	423	423	423	423	423	423	423
40,000	53	79	105	132	158	184	211	237	263	316	369	421	474	507	507	507	507	507	507	507	507
45,000	55	82	110	137	164	192	219	247	274	329	384	438	493	548	591	591	591	591	591	591	591
50,000	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	658	658	658	658	658
55,000	57	85	114	142	171	199	227	256	284	341	398	455	511	568	625	682	757	757	757	757	757
60,000	60	90	120	150	180	210	240	270	300	360	419	479	539	599	659	719	839	841	841	841	841
65,000	62	93	125	156	187	218	249	280	312	374	436	499	561	623	685	748	872	924	924	924	924
70,000	64	96	128	160	192	225	257	289	321	385	449	513	577	642	706	770	898	1007	1007	1007	1007
80,000	68	102	136	170	203	237	271	305	339	407	475	542	610	678	746	814	949	1085	1174	1174	1174
90,000	71	106	141	177	212	248	283	318	354	424	495	566	637	707	778	849	990	1132	1273	1341	1341
100,000	74	110	147	184	221	258	295	331	368	442	516	589	663	737	810	884	1031	1178	1326	1473	1473

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																				
	\$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	\$70,000	\$80,000	\$90,000	\$100,000	
6,000	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
8,000	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
10,000	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
15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17,500	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
20,000	35	53	65	75	94	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107	107
22,500	38	56	79	99	118	138	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149
25,000	39	59	79	99	118	138	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149
30,000	44	66	88	110	132	153	175	197	219	232	232	232	232	232	232	232	232	232	232	232	232
35,000	49	73	97	121	146	170	194	219	243	291	315	315	315	315	315	315	315	315	315	315	315
40,000	52	79	105	131	157	184	210	236	262	315	367	399	399	399	399	399	399	399	399	399	399
45,000	55	82	110	137	164	192	219	247	274	329	384	438	482	482	482	482	482	482	482	482	482
50,000	55	82	110	137	164	192	219	247	274	329	384	438	482	482	482	482	482	482	482	482	482
55,000	56	84	112	140	168	196	224	252	280	337	393	449	505	561	617	649	649	649	649	649	649
60,000	58	87	116	145	174	203	232	261	290	348	406	465	523	581	639	697	732	732	732	732	732
65,000	60	90	120	150	180	210	240	270	300	360	420	480	540	600	660	720	815	815	815	815	815
70,000	62	93	124	155	186	217	248	279	310	372	434	496	558	620	682	744	868	899	899	899	899
80,000	66	99	132	165	198	231	264	297	329	396	461	527	593	659	725	791	923	1055	1065	1065	1065
90,000	69	104	139	174	208	243	278	313	347	417	486	556	625	695	764	834	972	1111	1232	1232	1232
100,000	72	108	145	181	217	253	289	325	361	434	506	578	650	723	795	867	1012	1156	1301	1399	1399

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