

## CONSOLIDATING NOW MEANS SAVING LATER

Interest rates on variable rate education loans are at historically low levels. That makes consolidation a smart choice for education loan borrowers — even if they are still in school.

The Direct Consolidation Loan Program offers two unique Consolidation Programs in One!

- **In-School Consolidation:** Eligible student loan borrowers can consolidate their loans before leaving school. Borrowers will still receive a grace period and continue to qualify for all standard Stafford Loan entitlements (such as deferment or forbearance).
- **Regular Consolidation:** After borrowers leave school and enter repayment, they may consolidate one or more of their FFEL or Direct Loans.

## CONSOLIDATION MEANS FIXED INTEREST RATES

A borrower can combine one or more variable and/or fixed rate education loans into ONE loan — at a fixed rate. This fixed interest rate applies for the entire repayment term of the loan.

Here's how we calculate the fixed interest rate:

- **Step 1:** Determine the 'per loan weight factor' — 'per loan weight factor = loan amount X interest rate
- **Step 2:** Calculate the weighted average interest, and round up to the nearest 1/8th — 'weighted average interest rate = sum of the per loan weight factors X 100

For more information about consolidation visit [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) or call 800-557-7392 (TDD 800-557-7395).

# Consolidation—

## A Smart Choice for In-School and Graduating Borrowers



*Our Mission is to Ensure Equal Access  
to Education and to Promote Educational  
Excellence Throughout the Nation —  
U.S. Department of Education.*

## THREE EASY WAYS TO APPLY



### Online

Visit [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) to complete and submit an application online. Borrowers can also sign their Promissory Note 'electronically' with our unique electronic signature process.



### Paper

Borrowers can complete a paper application and Promissory Note and mail to the Loan Consolidation Center at U.S. Department of Education, Consolidation Department, P.O. Box 242800, Louisville, KY 40224-2800.



### Phone

Borrowers consolidating a Direct Loan(s) only can call 800-557-7392 to apply. We will mail the Promissory Note for the borrower to sign and return to the Loan Consolidation Center.

The Direct Consolidation Loan Program allows borrowers to **add new loans** for up to 180 days after their newly consolidated loan(s) is disbursed. A new weighted average interest rate is recalculated for the consolidation loan.

What is a **weighted average interest rate**?

This interest rate is the fixed interest rate for a borrower's consolidation loan based on the amounts and interest rates of the loans selected for consolidation. This interest rate is rounded up to the nearest 1/8% and will never exceed 8.25%.

## FLEXIBLE REPAYMENT OPTIONS

The Direct Consolidation Loan Program offers four repayment plans.

- **Standard:** For borrowers who want the convenience of a consistent monthly payment. The repayment period extends up to 10 years and the actual repayment term is based on the consolidation loan amount. The standard repayment option is the least expensive option.
- **Extended:** For borrowers seeking to reduce their monthly payments. Payment terms extend up to 30 years depending on the total indebtedness. Total indebtedness is the amount of education debt, including loans not consolidated. This option results in higher overall costs of borrowing, but may reduce borrowers' payment amounts significantly.
- **Graduated:** Borrowers start with a lower payment that increases every 24 months. Under this plan, payments increase gradually as a borrower's income increases. Payment terms extend up to 30 years depending on total indebtedness. This option also results in higher overall costs of borrowing.
- **Income Contingent Repayment (ICR):** Payments are based on family income and size, which is re-evaluated annually. This option is available only to student loan borrowers and enables these borrowers to better match their education loan payments to their incomes. The maximum repayment term is 25 years. Even though this option is the most expensive option in the long term, it is a good way to avoid default.

## ELIGIBLE LOAN TYPES

- Federal Family Education Loan (FFEL) Program Stafford Loans, formerly called Guaranteed Student Loans (GSL)
- Direct Loans
- Federal Insured Student Loans (FISL)
- Federal and Direct Consolidation Loans
- Supplemental Loans for Students (SLS), formerly called Auxiliary Loans to Assist Students (ALAS) and Student PLUS
- Federal and Direct PLUS (parent loans)
- Health Education Assistance Loans (HEAL)
- Health Profession Student Loans (HPSL), including Loans for Disadvantaged Students (LDS)
- Nursing Student Loans (NSL)
- Perkins Loans, formerly called National Defense or Direct Student Loans (NDSL)



## HISTORICALLY LOW RATES MAKE CONSOLIDATION AN ATTRACTIVE DEBT MANAGEMENT TOOL

### A lower fixed rate consolidation loan can help manage the burden of student loan payments.

Transitioning into working life and managing finances can be overwhelming, especially after graduation when the grace period ends on student loans and payments become another burden. However, there is a solution available for graduates, and students still in school, to help manage these payments — loan consolidation.

### Consolidation is an Option to Manage Education Debt

Consolidation of one or more student loans creates a single new loan with a fixed interest rate. This is attractive for three primary reasons. First, consolidation turns a variable rate loan(s) into a fixed rate loan. A consolidation loan's fixed interest rate is based on the current interest rates of the loans consolidated. This is an important benefit because of the current historically low interest rates. By consolidating now, borrowers are safeguarded from future annual interest rate adjustments and protected from potential increases in monthly payments as a result of these adjustments. Second, consolidation provides the convenience of a single point of contact for customer service and only one single monthly payment to make. This benefit allows borrowers to keep track of their loan debt easier. Third, consolidation often enables a borrower to lower their monthly payments by extending their payment term beyond the maximum 10-year period. For borrowers who need to reduce monthly payments to help meet other day-to-day living expenses, the choice of an extended or graduated repayment plan can be attractive, although more expensive in the long-term. Additional benefits for a consolidation loan are no application fees or prepayment penalties and, under certain cases, interest on student loans may be tax deductible.

### Considering Consolidation? Try a Loan Calculator

Consolidation lenders frequently have repayment calculators available on their web sites. These are helpful in determining different payment scenarios and the total cost of borrowing based on interest rates, payment plans, and loan amount. Such tools can be helpful when considering consolidation.

### Options Available through the William D. Ford Federal Direct Consolidation Loan Program.

Borrowers who are still enrolled in school may be eligible for an In-School Direct Consolidation Loan. Borrowers qualify for in-school consolidation if they have at least one Federal Stafford or a Direct Loan with an "in-school" status, and they attend a school participating in the Direct Loan Program. Borrowers who don't attend a participating school may be eligible as long as they have at least one Direct Loan. Under the program, borrowers who consolidate while in school still receive a six-month grace period.

The Direct Consolidation Loan Program also provides the unique flexibility to consolidate more than once, except in certain cases where previously defaulted loans are involved. Moreover, there are no restrictions on the number of loans or loan amounts. Therefore, for qualified borrowers seeking more flexibility in addition to all the common benefits of consolidation, a new consolidation loan through the Direct Consolidation Loan Program is worth considering. Borrowers who are still in school can also obtain more information from a financial aid counselor or loan services office.

For more information or to simply apply for a Direct Consolidation Loan call [1-800-848-0979](tel:1-800-848-0979), or go to [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov).



## IN-SCHOOL CONSOLIDATION FACT SHEET FOR FAOs

### IN-SCHOOL CONSOLIDATION: A TOOL TO HELP YOUR STUDENTS LOWER FUTURE LOAN PAYMENTS

Even your enrolled student borrowers can take advantage of historically low interest rates — effective July 1st — by consolidating their federally insured student loans before they graduate and without losing a single benefit.

#### Why In-School Consolidation Makes Sense?

In-school consolidation permanently locks in interest rates using the lower in-school rates that apply to most Stafford Loans.

- Borrowers will still receive a grace period and continue to qualify for all standard Stafford loan entitlements (such as deferments and forbearances).
- The Direct Consolidation Loan program does not require a minimum of loans or balances to qualify, so borrowers can consolidate even a single small balance loan.
- Borrowers can choose the same Standard 10-year maximum repayment term as they have with their current Stafford loan to keep the cost of borrowing low when repayment begins.
- Borrowers can consolidate again later, adding new Stafford loans, health profession loans, and Perkins loans to their existing consolidation loan. This will help provide an overall lower interest rate to the borrower even if the new loans begin with a higher interest rate.

#### Will In-School Consolidation Ever NOT Make Sense?

Currently, while interest rates are historically low, it makes sense to consolidate while still in school. When the interest rates are close to the statutory maximums for the program, the answer changes. Consolidation interest rates are fixed based on the weighted average of the loans being consolidated. So, the higher the rates on the loans being consolidated, the higher the interest rate on the new consolidation loan.

#### Qualifications for In-School Consolidation

Student loan borrowers qualify for an in-school consolidation if they:

- Have at least one Direct Loan or FFEL Stafford Loan in an 'in-school' status **AND**
- Attend a school participating in the Direct Loan Program, or;
- Have a Direct Loan, but currently do not attend a school participating in the Direct Loan Program.

#### Eligible Loans:

Stafford/GSL and FISL Loans

HEAL Loans

Perkins/NDSL Loans

Nursing Loans (NSL)

SLS and ALAS Loans

HPSL Loans (including LDS)

PLUS Loans

Consolidation Loans



## FREQUENTLY ASKED QUESTIONS ABOUT LOAN CONSOLIDATION

QUESTION	RESPONSE
<p><b>1. Are there differences between loan consolidation programs?</b></p>	<p>Borrowers are encouraged to check with their existing loan holders or servicers to find out about consolidation options available to them, and to carefully evaluate the plan best suited for their current and future repayment needs. Some differences between programs may include:</p> <ul style="list-style-type: none"> <li>■ Minimum balances or numbers of loans required to apply.</li> <li>■ A prior account relationship may be required.</li> <li>■ Repayment incentive benefits to encourage good repayment behavior.</li> <li>■ The convenience of electronic debit, ensuring monthly payments are made on time.</li> </ul> <p>The Direct Consolidation Loan Program has no minimum balance requirements. There is no minimum number of loans required to consolidate through this program. The Direct Consolidation Loan Program also offers in-school consolidation.</p>
<p><b>2. Can a student consolidate while in school?</b></p>	<p><b>Under the Direct Consolidation Loan Program, students can consolidate while still in school.</b> To meet eligibility requirements, students must be enrolled in school on at least a half-time basis, and;</p> <ul style="list-style-type: none"> <li>■ Have at least one (1) in-school status Federal Stafford or Direct Loan, and               <ul style="list-style-type: none"> <li>&gt; Attend a school participating in the Direct Loan Program, or</li> <li>&gt; Have at least one Direct Loan.</li> </ul> </li> </ul>
<p><b>3. What benefits do students gain while still enrolled in school?</b></p>	<p>There are several benefits to consolidating while still enrolled in school.</p> <ol style="list-style-type: none"> <li>1. The consolidation loan interest rate is calculated based on the interest rates of the loan(s) being consolidated. Since the in-school rate on variable rate education loan(s) is 0.6% lower than the repayment interest rate, the consolidation loan(s) weighted average interest rate will reflect that rate. Students who consolidate while still in-grace will also benefit from the 0.6% in-school rate on variable rate education loans.</li> <li>2. Students who qualify for in-school consolidation, and have loans in deferment, will essentially receive a second 6-month grace period on all the loans included in the new consolidated loan.</li> <li>3. Students will have one point of contact and one single payment to make.</li> </ol>
<p><b>4. What will happen to a student's grace period when they consolidate?</b></p>	<p>Students will not lose their grace period, as long as they apply for consolidation before they leave school. It is important they apply before the separation data is reported to NSLDS by the school. Borrowers should apply as their loans are fully disbursed, if they are applying during their final term.</p> <p><b>If a student consolidates their education loan(s) while in-grace, they will lose their grace period and immediately enter repayment.</b></p>

*More questions on the back*

QUESTION	RESPONSE
<p><b>5. Can a student consolidate just one loan?</b></p>	<p>Under the Direct Consolidation Loan Program, borrowers can consolidate one or more loans of any amount. Some FFEL lenders may require more than one loan to qualify for a consolidation loan or a minimum balance.</p> <p>Borrowers should check with their respective consolidation lender about consolidating more than one loan and minimum loan amount requirements.</p>
<p><b>6. Can students add additional loans to their consolidation loan?</b></p>	<p>By law, borrowers can add fully disbursed loans to an existing Federal or Direct Consolidation Loan for up to 180 days after the consolidation loan is disbursed.</p> <p>To request adding a loan(s), borrowers must submit a signed "Request to Add Loans" form, available from FFEL consolidation lenders and the Direct Consolidation Loan Program.</p>
<p><b>7. How long does it take to consolidate?</b></p>	<p>The consolidation process takes approximately 25 calendar days to complete. Typically, consolidation cannot be completed until loan certification information is received from all loan holders and servicers, including information from schools on Perkins, HHS, and other school-based loans. If loan holders respond quickly, the consolidation process can be completed in a very short period of time.</p>
<p><b>8. Can a student include a loan provided through the school in a new consolidation loan?</b></p>	<p>Only loans that are federally insured can be included in a Federal or Direct Consolidation Loan.</p> <p>Some consolidation programs offer combined billing of federal loans and private loans. Under these programs, the borrower has a single monthly payment obligation.</p>
<p><b>9. What is the Weighted Average Interest Rate for a consolidation loan?</b></p>	<p>The Weighted Average Interest Rate is the fixed interest rate that is based on the amounts and interest rates of loans selected for consolidation. The Weighted Average Interest Rate is rounded up to the nearest 1/8% and will never exceed 8.25%</p>
<p><b>10. Is there a number a school can call for more information?</b></p>	<p>School professionals may call the Loan Consolidation Center at 800-557-7392.</p>