

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 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 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.