

Loan Consolidation: Is It Right For You?

Important note: *Due to market conditions, many lenders are not currently offering consolidation loans. If you are considering student loan consolidation, please contact your existing lender(s) for more information about consolidation or repayment alternatives to consolidation.*

What's loan consolidation?

Loan consolidation allows you to combine all of your federal education loans into a single, more manageable loan. This gives you the ability to make only one monthly payment and extend your repayment period up to 30 years (depending on the loan amount.) With loan consolidation, you may also be able to secure a lower fixed interest rate for the life of the loan.

Who can consolidate?

Borrowers in their grace period or already in repayment may be eligible. Borrowers must have more than one loan to consolidate. Those who are delinquent or in default may still be eligible for consolidation. If loans are in default, a borrower must be in repayment on the defaulted loans or agree to repay the new consolidation loan under the income-sensitive repayment plan.

What type of loans can be consolidated?

- Federal Stafford (subsidized and unsubsidized)
- Federal PLUS
- Federal Supplemental Loans for Students (SLS)
- Federal Consolidation
- Federal Direct Student Loans (FDSL)
- Federal Insured Student Loans (FISL)
- Federal Perkins Loans
- Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS)
- Federal Nursing Student Loans (NSL)
- Health Education Assistance Loans (HEAL)

How's the interest rate calculated?

For portions attributable to the loans above, except for HEAL (HEAL requires a different calculation), a fixed interest rate is determined by taking the weighted average of the interest rates, rounded up to the nearest one-eighth of one percent, not to exceed 8.25 percent.

Who do borrowers contact regarding consolidation?

Borrowers may consolidate loans with any eligible consolidation lender in the Federal Family Education Loan Program (FFELP), even if the borrower's loans are held by only one FFELP holder.

If a borrower's loan holder doesn't offer loan consolidation or an income-sensitive repayment schedule, the borrower may apply to any other loan holder that participates in loan consolidation.

Borrowers may access information about their federal student loans and other sources of federal financial aid by visiting the National Student Loan Data System (NSLDS) Web site at www.nsls.ed.gov.

Is consolidation right for me?

When making that decision, borrowers should consider the following:

- How much will the total interest cost increase based on smaller installments paid over a longer payment period?
- Will consolidation affect the terms of the borrower's current repayment agreement? Consolidation may adversely impact deferment options and could negate any borrower benefits the current loan holder may provide, such as reduction in interest rates for on-time monthly payments.
- Is Perkins consolidation a good thing? It depends. Consolidation provides the convenience of making one monthly payment; however, a Perkins borrower forfeits any loan forgiveness benefits and becomes responsible for interest that may accrue during periods of deferment.

If you have questions regarding loan consolidation, talk to your financial aid representative or contact your lender or guarantor.