# Direct Consolidation Loan Program

<table>
<thead>
<tr>
<th>Direct Consolidation Loan Program</th>
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</thead>
<tbody>
<tr>
<td><strong>Borrower Eligibility</strong></td>
</tr>
</tbody>
</table>
| **Eligible Loans**                | • Direct Subsidized Loans  
• Direct Unsubsidized Loans  
• FFEL Subsidized Loans  
• FFEL Unsubsidized Loans  
• Direct PLUS Loans  
• FFEL PLUS Loans  
• Supplemental Loans for Students  
• Federal Perkins Loans  
• Federal Nursing Loans  
• Health Education Assistance Loans  
• Some existing consolidation loans  
Visit studentaid.gov to get your student loan information. |
| **Interest Rate**                 | The interest rate on a consolidation loan is a fixed rate for the term of the loan and is based on the weighted average interest rates of the loans being consolidated, rounded up to the nearest 1/8th of 1%. HEAL loans retain a variable rate. |
| **Grace Period**                  | None |
| **Credit Requirements**           | None |
| **Deferment and Forbearance**     | Borrowers may be eligible to postpone payments on a consolidation loan using a deferment or forbearance. The most common types of deferments are:  
• Economic Hardship (up to three years)  
• In School (at least half-time)  
• Unemployment (up to three years)  
Contact your loan servicer to see which option may fit your personal situation. |
| **Repayment Terms**               | The length of the repayment term depends on the borrower’s total outstanding federal student loan debt. This includes the amount of the consolidation loan plus other education loans that will not be consolidated.  
Note: The sum of non-consolidated education loans used to extend the term may not exceed the amount of the consolidation loan.  
The repayment terms are:  
Less than $7,500 = 10 years  
$ 7,500 to $ 9,999 = 12 years  
$10,000 to $19,999 = 15 years  
$20,000 to $39,999 = 20 years  
$40,000 to $59,999 = 25 years  
$60,000 and above = 30 years |
| **Repayment Plan Description**    | **Standard Repayment:** Monthly payments remain the same until the loan is paid in full. This monthly payment is usually higher than other repayment options, but the interest cost is typically the lowest, which may reduce total loan costs over the life of the loan.  
**Graduated Repayment:** Initial monthly payments start low and increase at scheduled intervals until the loan is paid in full. This option is helpful if a smaller payment is needed in the beginning years of repayment. However the cost of interest may be greater, which increases total loan costs over the life of the loan.  
**Income-Driven Repayment:** These plans set a monthly payment based on income level and family size – with annual recertification. |
Direct Consolidation Loan Program

Frequently Asked Questions

What is loan consolidation?
Loan consolidation is a federal program that allows borrowers to combine outstanding federal student loans into a single, new loan with a fixed interest rate. Borrowers may also be eligible for an extended repayment term, which decreases monthly payments but can increase total loan costs.

Is consolidation right for me?
It truly depends on your loan portfolio. The advantages of consolidating may include: securing a fixed rate on a previously variable-interest rate loan, simplified repayment, reduced monthly payment amounts, and access to other repayment plans. The disadvantages may include: increased interest costs due an increased length in repayment term, and the loss of borrower benefits offered with the original loan.

How can I determine my interest rate?
The fixed interest rate for a federal consolidation loan is based on the weighted average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of 1%. Contact your loan servicer to obtain the average interest rate for your federal student loan portfolio.

Example:

<table>
<thead>
<tr>
<th>Type</th>
<th>Balance</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>$5,000.00</td>
<td>5.00%</td>
</tr>
<tr>
<td>Direct</td>
<td>$8,500.00</td>
<td>6.80%</td>
</tr>
<tr>
<td>Grad PLUS</td>
<td>$10,000.00</td>
<td>8.50%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$23,500.00</td>
<td></td>
</tr>
</tbody>
</table>

Total interest rate divided by 3 = 6.76%
Round up to nearest 1/8th of 1% 6.875%

Do I have to consolidate all of my student loans?
No. You can choose which loans you want to consolidate, and you may find that it makes sense to exclude some loans. Loans not included in the consolidation are still used to determine your maximum repayment term. Private loans are not eligible for federal loan consolidation.

What if my parents have PLUS loan(s)?
PLUS loans are also eligible for consolidation but cannot be consolidated with your student loans. Students can consolidate the loans they borrowed and parents can consolidate PLUS loans they borrowed.

What happens to the accrued interest on a loan I want to consolidate?
The accrued interest will be added to the loan's principal balance to determine a pay off amount. The principal balance of your consolidation loan will be the sum of the amounts required to pay off the loans(s) that are consolidated.

Can I add loans to my consolidation loan?
You may add an eligible loan if a request is made to the servicer within 180 days following the date the outstanding consolidation loan was made. After the 180-day period, you may not add loans to the outstanding consolidation loan. Note that the interest rate and repayment terms on your consolidation loan may be affected by adding loans.

What happens to the interest on my consolidation loan during periods of deferment?
While in an authorized deferment, the federal government pays the interest on the subsidized portion of the consolidation loan. Note: Perkins and HPSS become unsubsidized once consolidated. Interest accrues on the unsubsidized portion of the loan.

Is consolidation the only way to lower my payment?
There are several Income-Driven Repayment plans available that may reduce monthly payments. In addition, borrowers with PLUS or Grad PLUS loans who have accumulated more than $30,000 in either Direct or FFEL education debt since 1998 can extend their repayment loan term up to 25 years or utilize a graduated repayment plan that starts with payments as low as monthly interest accrual.

Who should I contact if I want to consolidate my federal loans?
Phone: 1-800-557-7392
Apply Online: Federal Student Aid
Email: studentaidfeedback@ed.gov
Download an Application: Federal Student Aid