Direct Loan Consolidation: Is it right for you?

Ready Set Repay.org™
ON TRACK FOR STUDENT LOAN SUCCESS

How Does it Work?

Direct loan consolidation is designed to help you manage your student loan debt by combining multiple student loans, creating one monthly payment and one loan holder. If you're currently in your grace or repayment period and have one of the following qualifying loans, consolidation may be an option for you.

Loans that can be consolidated:

- Stafford Loans (subsidized and unsubsidized)
- Direct Loans (subsidized and unsubsidized)
- Supplemental Loans for Students (SLS)
- Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS)
- Health Education Assistance Loans (HEAL)
- Federal Insured Student Loans (FISL)
- Federal Parent Loans for Undergraduate Students (PLUS) Loans
- Grad PLUS Loans
- Direct PLUS and Grad PLUS Loans
- Nursing Loans (NSL)
- Consolidation Loans *(if you have at least one other eligible loan to consolidate with it)*
- Perkins Loans

NOTE: Effective July 1, 2008, a Federal Family Education Loan Program (FFELP) borrower may consolidate his or her FFELP loan into a Direct Student Loan Program (DSLP) Consolidation loan to be eligible to participate in the public service loan forgiveness program.

How Do I Know if it's Right for Me?

Loan consolidation may not be the right option for you. You'll want to consider how much the total interest cost will increase based on smaller installments over a longer payment period. Will the consolidation affect the terms of your current repayment agreement? Consolidation may negatively impact your deferment options and may negate any borrower benefits your current lender provides. Consolidation may affect your loan options, so talk to you lender(s) about the pros and cons of consolidation.

To keep your current benefits, discuss the following repayment options with your lender(s) before consolidating your loans.

- **Standard (equal) repayment** enables you to pay less interest over the life of the loan compared to other options.
- **Graduated repayment** begins with lower payments that will increase over time.
- **Income-based repayment** adjusts your payments annually based on your income and family size.
- **Extended repayment** offers a lower payment by stretching the life of the loan (higher interest cost).
- **Income-contingent repayment and the Pay As You Earn program** are both for Direct Loans only and adjust your payments annually based on loan amount, income and family size.

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Pros:

- Fixed interest rates, which may be helpful if your current loans have variable rates.
- The possibility of a reduced interest rate for timely, electronic payments.
- The flexibility to consolidate all or some of your loans.
- The possibility of reduced monthly loan payments.
- Extension of your repayment period depending on the total amount of your loan debt.

Amount Consolidated	Maximum Repayment Period
$7,500 - $9,999	12 years
$10,000 - $19,999	15 years
$20,000 - $39,999	20 years
$40,000 - $59,999	25 years
$60,000 and higher	30 years

Cons:

- While your monthly payment may be reduced, the length of your repayment period may be extended, which will result in increased interest paid over the life of the loan.

- Once you consolidate your loans, you can't reconsolidate unless you have another loan to add, except in the case of Public Service Loan Forgiveness (PSLF).

- Depending on the lender or your loan type, you might lose eligibility for certain types of deferment, cancellation or forgiveness programs. For instance, if you consolidate a Perkins Loan, some benefits or options will not be retained for individuals providing qualified service as a(n):
    - Education Component of Head Start Program Staff Member
    - Law Enforcement or Corrections Officer
    - Nurse or Medical Technician
    - Professional Provider of Early Intervention Services for the Disabled
    - Public or Non-Profit Child or Family Services Agency Employee
    - AmeriCorps VISTA or Peace Corps Volunteer

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