

Federal Direct Consolidation Loans

Frequently Asked Questions:

1. What is a Federal Direct Consolidation loan?

A Federal Direct Consolidation Loan is a loan that allows a borrower to combine all eligible federal education loans into a new loan with a single a payment.

2. Which loans can I consolidate?

- Federal Direct Stafford Loans (Direct Loans - Subsidized and Unsubsidized)
- Federal Stafford Loans (FFEL - Subsidized and Unsubsidized)
- Federal Supplemental Loans for Students (SLS Loans; formerly Auxiliary Loans to Assist Students (ALAS))
- Federal Perkins Loans, formerly National Defense/National Direct Student Loans (NDSL)
- Health Professions Student Loans, including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)
- Federal Insured Student Loans (FISL)
- Federal PLUS (Parent) Loans (Parent and Student Loans cannot be consolidated together)
- Federal Direct PLUS Loans
- Federal Nursing Loans

3. Am I eligible for loan consolidation?

You may apply for a Direct Consolidation Loan while in school*, during your grace period, or once you've entered repayment. Stafford and PLUS borrowers may also consolidate their loans at any time during repayment including periods of deferment or forbearance.

*Borrowers who are in school are eligible for in-school consolidation if they are:

--attending a Direct Loan school **and** include at least one Direct Loan or FFEL in an in-school period

OR

--attending a non-Direct Loan school **and** have at least one Direct Loan **and** include at least one Direct Loan or FFEL in an in-school period.

4. What will be my interest rate?

The Federal Direct Consolidation loan interest rate is a fixed rate equal to the weighted-average of the interest rates of the loans being consolidated rounded up to the nearest 1/8 of 1% but not exceeding 8.25%.

5. Are there fees that I must pay to receive a Federal Direct Consolidation loan?

There are no processing or application fees associated with consolidating a loan.

6. Who should I call for a Federal Direct Consolidation Loan?

If you have only Federal Direct Loans, call 1-800-557-7392 or go to the <http://loanconsolidation.ed.gov> website to consolidate. If you have a combination of FFEL and Direct Loans, you may contact either Direct Loan Consolidation or the FFEL lender who funded your Federal Loans. If you have multiple loans with different Federal lenders, you may contact the lender of your choice to discuss your options.

7. How long do I have to repay my Federal Consolidation loan?

Length of repayment is contingent on your choice of repayment option. Repayment times range from 10 to 30 years.

8. What are my repayment options?

Direct Loans offers four repayment plans: Standard, Extended, Graduated, and Income Contingent. You will be asked to specify the repayment plan that best fits your needs on the Federal Direct Consolidation Loan Application and Promissory Note. More information is available about each of these options at <http://loanconsolidation.ed.gov>.

9. What deferments are available on a Federal Direct Consolidation loan?

A Federal Direct Consolidation loan borrower may defer payment of principal and interest during certain periods. You can view all deferments types at the following web address:
http://studentaid.ed.gov/students/publications/repaying_loans/2003_2004

10. May I add to my Federal Direct Consolidation loan once it's been made?

Yes, you may add any other/new eligible loan(s) to your outstanding consolidation loan, provided you make the request within 180 days of the date the consolidation loan is made.

11. If I consolidate my loans, can I re-consolidate if the rates should go lower?

No, once a loan is consolidated it cannot be re-consolidated at a lower rate. However, you may be eligible for a subsequent consolidation loan if you wish to consolidate your existing consolidation loan with at least one, new, eligible loan.

12. If I consolidate will I lose specific benefits that go along with the individual loans?

Yes, by definition a consolidated loan is a new loan with new terms, and current borrower benefits on the individual loans will no longer apply.

13. If I choose to consolidate and then change my mind, can it be undone?

No, once a loan is consolidated it remains consolidated because the borrower completed a promissory note.

14. Can married couples apply for a joint, spousal consolidation loan?

Per the Federal Direct Consolidation loan program, spousal consolidation is available.

15. What if a couple that has a spousal consolidation divorces?

Both parties are still responsible for repaying the debt of the spousal consolidation.

16. What if one of the spouses dies and has a spousal consolidation?

New rules allow partial discharge of financial responsibility for the surviving spouse.

17. Do you have to take the entire consolidation repayment term to pay off the loan?

There is no penalty for pre-payment.

18. What if you default and have a consolidated loan?

Several instances could occur:

- a) Collection costs and legal expenses
- b) Damage your credit
- c) Wages could be garnished
- d) Tax refund withheld

19. What if I receive solicitation from a Consolidating Company?

If you have questions, contact Direct Loan Consolidation at 1-800-557-7392.

20. I have more questions!

For more information on the Federal Direct Consolidation loan program, call 1-800-557-7392 or go to the <http://loanconsolidation.ed.gov> website.