

DOCUMENT RESUME

ED 479 150

HE 036 048

TITLE Student Loans Driving You Crazy? A Borrower's Guide to Direct Consolidation Loans.

INSTITUTION Office of Federal Student Aid (ED), Washington, DC.

PUB DATE 2003-00-00

NOTE 9p.

PUB TYPE Guides - Non-Classroom (055)

EDRS PRICE EDRS Price MF01/PC01 Plus Postage.

DESCRIPTORS \*College Graduates; \*Debt (Financial); Higher Education; \*Loan Repayment; Student Financial Aid; Student Loan Programs

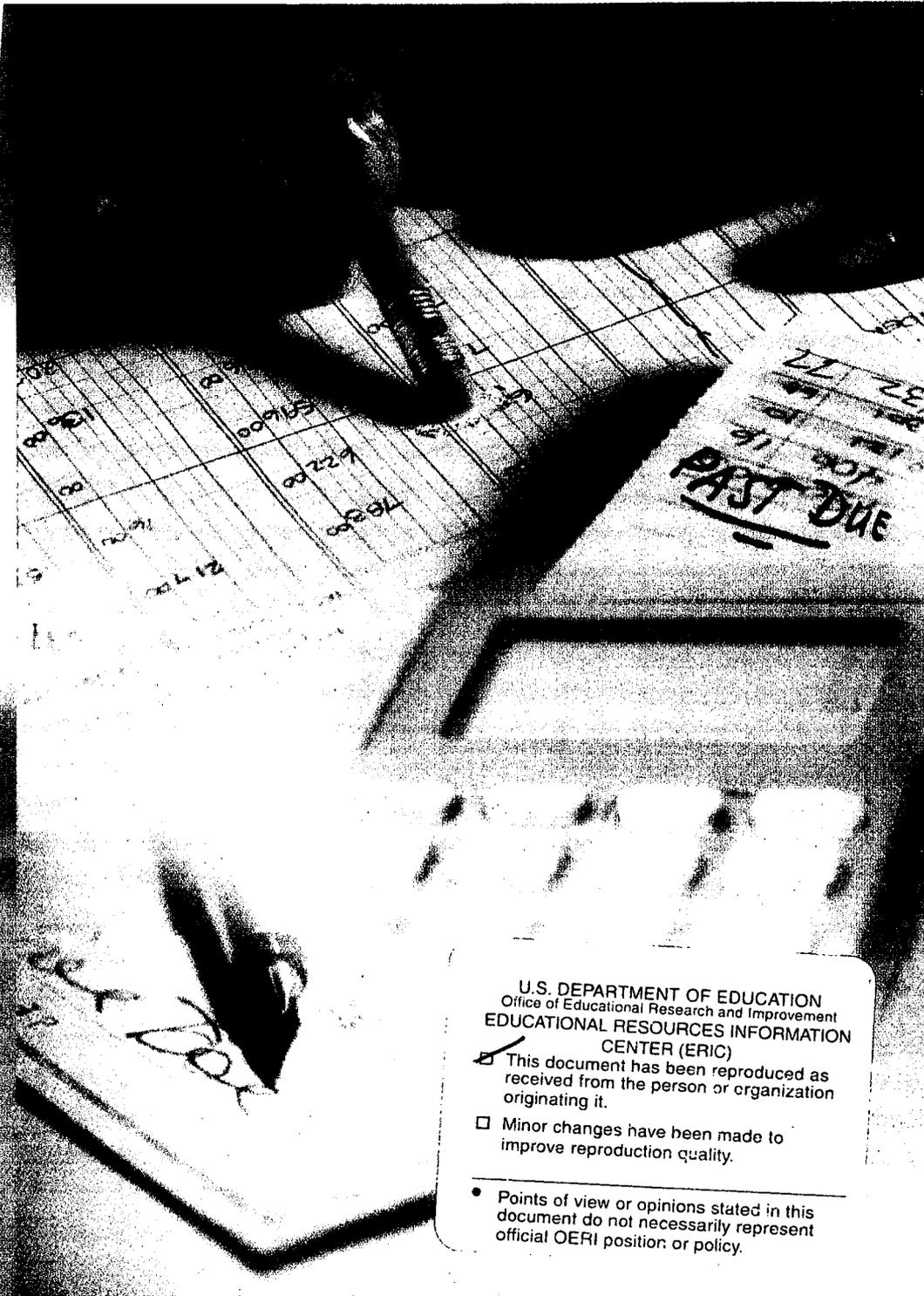
IDENTIFIERS \*Student Loan Consolidation Program

ABSTRACT

This booklet describes the Direct Consolidation Loan program students can use to combine one or more student loans into a new loan. Things to consider before seeking a consolidation loan are outlined. Direct consolidation loans offer a number of advantages; they are free, result in one lender and one monthly payment, and offer flexible repayment options with the possibility of a lower interest rate. Eligibility requirements are described, and a list of eligible loan types and those that are not eligible is provided. (SLD)

# Student Loans Driving You Crazy?

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**William D. Ford**  
 Federal Direct Loan Program

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# a borrower's guide to

# Direct CONSOLIDATION Loans

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# BEFORE YOU DECIDE

*Here are things to consider when deciding whether consolidation is right for you:*

## **THE INTEREST RATES OF EACH LOAN THAT YOU WANT TO CONSOLIDATE —**

The interest rate for a Direct Consolidation Loan is based on the weighted average of the interest rates of the loans that you consolidate. It is fixed for the life of the loan and cannot exceed 8.25 percent. If a Direct Consolidation Loan would offer a lower rate than your current loans, you may want to consolidate.

## **HOW MUCH YOU CAN AFFORD TO PAY EACH MONTH —**

If you are having trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and want to avoid default, consolidation may be right for you. If you consolidate, you may reduce your monthly payment amount by extending your repayment period.

## **HOW MUCH YOU'RE WILLING TO PAY OVER THE LONG TERM —**

If you extend your repayment period through consolidation, the total amount you pay over the life of your loan will be higher.

## **HOW MANY PAYMENTS YOU HAVE LEFT ON YOUR LOANS —**

If you are close to paying off your student loans, it may not be worthwhile to consolidate.

## **WHAT YOUR CURRENT LENDERS OFFER —**

Check with the lenders who currently hold your loans to determine whether they can offer terms and repayment plans that meet your needs better than a Direct Consolidation Loan.

*Tired of not knowing who holds your loans, how much you owe or who to call for help? Do you want to save time and money?*



## **A Direct Consolidation Loan May Be The Answer For You!**

A Direct Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers several advantages.

### **NO MINIMUM OR MAXIMUM LOAN AMOUNTS OR FEES**

Direct Consolidation Loans do not exclude anyone based on the size of their loan debt! In addition, consolidation is FREE.

### **ONE LENDER AND ONE MONTHLY PAYMENT**

With only one lender to deal with and one monthly bill, you will find it easier than ever to manage your debt. The Department of Education is the lender and this will never change.

### **FLEXIBLE REPAYMENT OPTIONS**

Direct Consolidation Loans provide four convenient and hassle-free ways to repay your loans, including an income-contingent repayment plan. The repayment plans are designed to meet the different and changing needs of borrowers. With a Direct Consolidation Loan, you can change your repayment plan, in most cases, at any time.

### **LOWER INTEREST RATE**

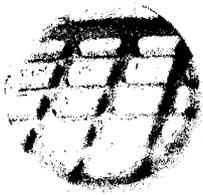
If you consolidate while in school or during your grace period you may receive a lower interest rate. This saves you money! In-school consolidations are only offered with a Direct Consolidation Loan.

### **GRACE PERIOD**

If you qualify for a consolidation loan while you are in school, you may receive a 6-month grace period before repayment begins.

### **A SECOND CHANCE FOR BORROWERS IN DEFAULT**

You can consolidate your defaulted loans into a Direct Consolidation Loan. Although consolidation will not remove the default from your credit report, consolidation will limit further collection costs, reinstate your Title IV eligibility and help you rebuild your credit rating.



## WHAT IS THE INTEREST RATE?

The interest rate for a Direct Consolidation Loan is the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth of one percent. The rate is fixed for the life of the loan and cannot exceed 8.25 percent. To calculate your weighted average interest rate, use our online calculator at <http://www.loanconsolidation.ed.gov> or call us at 1-800-557-7392.



## WHO IS ELIGIBLE?

### BORROWERS OUT OF SCHOOL —

Borrowers who have loans in repayment or in the grace period who:

- Have at least one Direct Loan or
- Do not have a Direct Loan, but have at least one FFEL Program loan and are unable to obtain a Federal Consolidation Loan from a FFEL Program lender, or
- Do not have a Direct Loan, but have at least one FFEL Program loan and are unable to obtain a Federal Consolidation Loan from a FFEL Program lender with acceptable income-sensitive repayment terms.

*Borrowers who apply during their grace period should consider the following:*

- *Do not apply too early. Borrowers who apply too early may lose some of their grace period.*
- *Make sure the U.S. Department of Education Loan Consolidation Center receives their application while they are in their grace period. Borrowers whose applications are received after their grace period has expired will not receive the lower interest rate.*

## **BORROWERS IN SCHOOL —**

If your loans have not yet entered the grace period or repayment period, you are eligible for a Direct Consolidation Loan if you:

- Consolidate at least one Direct Loan or FFEL Program loan that has never been in repayment, or
- Do not have a Direct Loan, but attend a Direct Loan school and consolidate at least one FFEL Program loan that has never been in repayment.

## **IN-SCHOOL CONSOLIDATION SAVINGS**

<b>Loan Term</b>	<b>Savings</b>	<b>Repayment Plan</b>
10 years	\$1,779	Standard
12 years	\$1,822	Extended
20 years	\$1,893	Graduated

*This example is based on a borrower with a \$20,000 loan debt that has never entered repayment status (two \$5,000 loans at 6.32 percent and two \$5,000 loans at 7.66 percent). This borrower's weighted average interest rate is 7 percent. The same borrower would have a weighted average interest rate of 7.625 percent if he or she consolidated after entering repayment (two \$5,000 loans at 6.92 percent and two \$5,000 loans at 8.25 percent).*

## **Need More Information or Want to Apply?**



**CALL US OR VISIT OUR WEBSITE**



- ✓ To get answers to your questions about Direct Consolidation Loans
- ✓ To get a Direct Consolidation Loan application package and help with completing the forms
- ✓ Use the "interactive calculator" to compare repayment amounts under the four repayment plans and to calculate your weighted average interest rate
- ✓ Apply on-line for a Direct Consolidation Loan

### **CONTACT US:**

**Toll-Free Number: 1-800-557-7392**

**Toll-Free TDD Number: 1-800-557-7395**

**Email: [loan-consolidation@maileds.com](mailto:loan-consolidation@maileds.com)**

**Web URL: <http://www.loanconsolidation.ed.gov>**

# ELIGIBLE LOANS

*These loans are eligible for consolidation*

Auxiliary Loans to Assist Students (ALAS)	Federal PLUS Loans*
Federal Consolidation Loans	Federal Subsidized Stafford Loans
Direct Subsidized Consolidation Loans	Federal Unsubsidized Stafford Loans
Direct Unsubsidized Consolidation Loans	Federal Supplemental Loans For Students (SLS)
Direct PLUS Loans*	Guaranteed Student Loans (GSL)
Direct PLUS Consolidation Loans*	Health Education Assistance Loans (HEAL)*
Direct Subsidized Loans	Health Professions Student Loans (HPSL)*
Direct Unsubsidized Loans	Loans for Disadvantaged Students (LDS)*
National Direct Student Loans	National Defense Student Loans (NDSL)*
Federal Insured Student Loans (FISL)	Nursing Student Loans (NSL)*
Federal Perkins Loans*	

\* Loans ineligible for in-school consolidation

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## *Loans Ineligible for the Income Contingent Repayment Plan*

- Direct PLUS Loans
- Direct PLUS Consolidation Loans
- Federal PLUS Loans



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Spring 2003

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