

William D. Ford  
Federal Direct Loan Program



# student loans driving you crazy?

a borrower's guide  
to direct consolidation loans

A Better Way To Borrow

# BEFORE YOU DECIDE

*Here are some factors to consider when deciding if consolidation is right for you.*

**The interest rates for each loan—** If a Direct Consolidation Loan offers you a lower rate than your current loans, you may want to consolidate. The interest rate is fixed and based on a weighted average, but it cannot exceed 8.25 percent.

**What 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 help you ease the burden.

**How much you're willing to pay over the long term—** Like a home mortgage or a car loan, reducing the amount of your monthly payments or extending the years of repayment increases the total amount you have to repay.

**How many payments you have left on your loans—** If you are close to paying off your student loans, it may not be worth the effort to consolidate or further extend your payments.

**What your current lenders offer—** Check with lenders currently holding your loans to see if they can offer terms and repayment plans that meet your needs better than a Direct Consolidation Loan can.

*Tired of not knowing who holds your loans, how much you owe or where to call for help? Are you interested in saving 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. These plans are designed to be flexible to meet the different and changing needs of borrowers. With a Direct Consolidation Loan, you can switch your repayment plan at anytime.

### **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 via a Direct Consolidation Loan.

### **A Second Chance for Borrowers in Default**

Direct Consolidation Loans allow you to consolidate your defaulted loans. This will limit further collection costs, reinstate your Title IV eligibility and help you rebuild your credit rating.



## What Is The Interest Rate For Direct Consolidation Loans?

---

The interest rate for a Direct Consolidation Loan is fixed. It 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 cannot exceed 8.25 percent. Use our interactive calculator at [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) to calculate your weighted average interest rate or call us at 1-800-557-7392.



## Who Is Eligible?

---

### **Borrowers Out Of School**

who have at least one Federal Family Education Loan (FFEL) or Direct Loan.

Borrowers with only FFEL loans must be unable to obtain a Federal Consolidated Loan from an FFEL lender OR be unable to obtain one with acceptable income-sensitive repayment terms.

Borrowers who apply during their grace period are encouraged to apply in the third month. Borrowers who apply too early may lose some of their grace period. Borrowers who apply too late may not receive the lower interest rate. (We will need to verify your loan(s) with the current lender(s) before repayment begins.)

## Borrowers In School

who attend a Direct Loan school at least half time and include *at least* one Direct Loan or FFEL Loan that has never entered repayment.

or

who attend a non-Direct Loan school at least half-time, have *at least* one Direct Loan **AND** include a Direct Loan or FFEL Loan that has never entered repayment.

### In-School Consolidation Savings

#### Loan Term

10 years

12 years

15 years

25 years

#### Savings

\$779

\$968

\$1,271

\$2,422

---

This example is based on a borrower with a \$20,000 loan debt that has never entered repayment (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?



### Call us for:

- ✓ Answers to your questions about Direct Consolidation Loans
- ✓ Estimated repayment amounts under each of our four repayment plans
- ✓ An application package and help filling out the forms

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

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



### Visit our web site to:

- ✓ Use the "interactive calculator" to compare repayment amounts under the four repayment plans and to calculate your interest rate
- ✓ Download Direct Consolidation Loan application materials
- ✓ Apply on-line for a Direct Consolidation Loan

---

### Internet Address:

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

# ELIGIBLE LOANS

*These loans are eligible for consolidation*

Auxillary Loans to Assist Students(ALAS)

Federal Stafford Loans

Federal Consolidation Loans

Federal Supplement Loans For Students (SLS)

Federal Direct Consolidation Loans

Guaranteed Student Loans (GSL)

Federal Direct PLUS Loans (PLUS)

• Health Education Assistance Loans (HEAL)

Federal Direct Stafford Loans

• Health Professions Student Loans (HPSL)

Federal Insured Student Loans (FISL)

• Loans for Disadvantaged Students (LDS)

• Federal Perkins Loans

• National Defense Student Loans (NDSL)

Federal PLUS Loans

• Nursing Student Loans (NSL)

• *Loans ineligible for In-School consolidation*

---

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

Federal Direct PLUS Loans (PLUS)

Federal Direct PLUS Consolidation Loans

We Help  
Put America  
Through  
School.