

Green Light: Consolidation is a Good Option

In the following cases, consolidation is likely the borrower's best option:

1. **Borrower has a defaulted federal student loan and cannot rehabilitate the loan**

In this instance, short of paying the loan in full, consolidation is the only way to remove the loan from default.

2. **Borrower has FFEL loans and intends to pursue Public Service Loan Forgiveness (PSLF)**

To become eligible for PSLF, the borrower must consolidate any FFEL loans into a Direct Consolidation Loan.

3. **Borrower has exhausted deferment and/or forbearance time**

- Consolidation will renew the deferment and forbearance time that was exhausted on the individual loans.
- Counselors should stress the importance of preserving future deferment and forbearance time for emergencies. An alternative to postponing payments could be to enroll the consolidation loan on an Income-Driven Repayment Plan.

4. **Borrower does not qualify for an Income-Driven Repayment Plan and needs lower payments**

The borrower may be able to obtain lower payments by extending their repayment term through consolidation.

Yellow Light: Consolidation is an Option but not Necessary

In these instances, the borrower should not rush into consolidation. While they may be eligible, consolidation is not required, and there may be alternatives that better suit the borrower's needs.

1. **Borrower qualifies for IBR and does not intend to pursue PSLF**

Borrowers can maintain low payments on IBR without having to consolidate their loans. In fact, if a borrower has already made a number of payments towards forgiveness under IBR, it may be best NOT to consolidate, as consolidation would restart the 25-year clock for forgiveness.

2. **Borrower has Direct Loans and is pursuing PSLF**

In these cases, if the borrower has already made qualifying payments towards the 120 payments required for forgiveness, consolidation will restart the clock and any previous payments made will not count towards forgiveness.

3. **Borrower is interested in simplifying repayment but does not need lower payments**

Simplifying repayment should not be the only reason for consolidation. Consolidation can extend the loan repayment term, and result in greater interest costs over the life of the loan. Borrowers juggling multiple payments could set up automatic payments for convenience as an alternative to consolidation.

Should I consolidate my loans?

Consolidating loans is a tool to simplify payments or to help you get the right type of loan to qualify for specific loan forgiveness programs like Public Service Loan Forgiveness (PSLF). However, consolidation is something to be considered and is not for everyone.

If you know what types of loans you have and want to get an estimate of what consolidation would look like for you, check out the online **Student Loan Consolidation Calculator**:

https://loanconsolidation.ed.gov/loancalc/Controller?controller_task=startCalculator

Don't know what loan types you have? Find out here:

<https://www.nsls.ed.gov/npas/index.htm>

Red Light: Consolidation is not an Option

1. **Borrower only has one Direct Consolidation Loan**

A borrower can only consolidate an existing Direct Consolidation Loan if they include at least one other federal student loan.

2. **Borrower has a spousal Consolidation Loan**

In the past, it was possible for spouses to combine their loans together into a spousal Consolidation Loan. However, these loans are no longer made. As a result, it is not possible to reconsolidate an existing spousal consolidation loan, even if other loans are included.

3. **Borrower has a defaulted loan under Administrative Wage Garnishment (AWG) or on which a judgment has been issued**

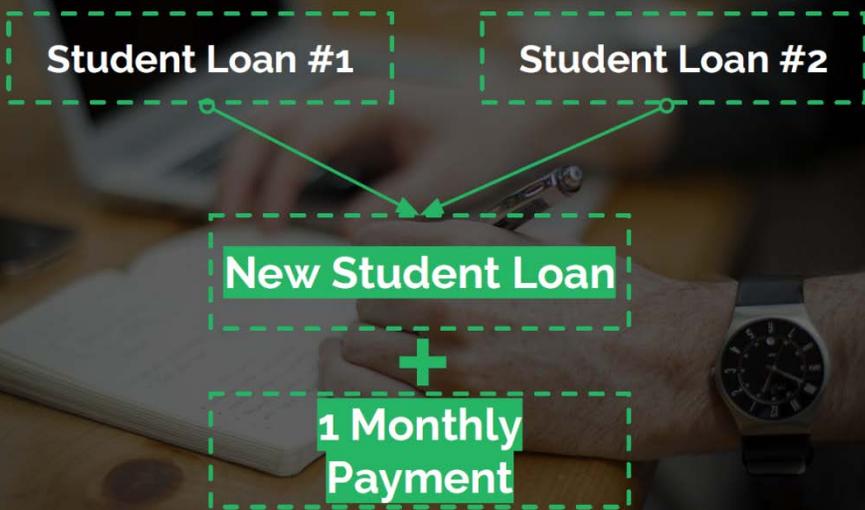
Loans under an active wage garnishment or judgement are not eligible for consolidation.

4. **Borrower only has Perkins loans**

Perkins loans can only be consolidated if combined with at least one Direct or FFEL loan.

STUDENT LOAN CONSOLIDATION FOR GOVERNMENT LOANS

Student Loan Consolidation Simplified



The Basics of Consolidation

What is loan consolidation?

Simplify repayment by centralizing loans to one bill.

Lower monthly payments by increasing repayment period up to 25 years.

Access alternative repayment options not available to previous loan.

Switch variable interest rate to fixed interest rate.

Important Features

Fixed interest rate for the remaining life of the loan.

The interest rate is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8 of a percent. Fixed for life.

Federal loan consolidation is entirely free. Avoid the many predatory "debt consolidation" or "debt relief" scams.

Consequences

Increased repayment period means an increase in monthly payments and total interest paid.

Potential loss of benefits that were connected to original loan. Including: interest rate discounts, cancellation options, refi, etc.

Consolidation cannot be undone.

Which federal loans are eligible?

- Subsidized/Unsubsidized Direct Loans
- Subsidized/Unsubsidized FFEL Loans
- Stafford Loans
- Direct PLUS Loans
- FFEL PLUS loans
- Supplemental Loans for Students (SLS)
- Federal Perkins Loans
- Federal Nursing Loans/Some Health Education Assistance Loans*

What about other types of loans?

Private student loans can not be combined with a federal loan consolidation. Private loan borrowers will need to speak with a lender about consolidation.

Parent **PLUS** loans made to the parent of a **student** cannot be transferred to the student using loan consolidation.

WARNING: Avoid "Debt Relief" Scams!



Many borrowers have several student loans, and it sounds appealing to have them consolidated into one single loan and payment.



Some scammers claim to offer lower payments and loan forgiveness as well. Using taglines such as "Obama's New Loan Forgiveness" and "We Work With the Department of Education".



Consolidation scam typically involves a company offering a loan consolidation and/or debt relief in exchange for a processing fee, administrative fee, or consolidation fee.



This is a scam because: 1) Federal student loans can only be consolidated through the Federal Direct Consolidation Program. The consolidation company scam involves you paying a fee for something you could do for free in about 20 min. 2) The consolidation company may move you into a private student loan that is worse for you than your original loans. 3) Basically, the consolidation company does nothing and takes your money.