

Direct Consolidation Loan

SHOULD I CONSOLIDATE?

- First review your loan indebtedness at www.nslds.ed.gov, you'll need to use your FAFSA PIN to access this information. Also remember this is only federal loan information. You can not include an alternative (private) student loan in a federal loan consolidation.
- Review the interest rates on your loans. If you have variable interest rates on your Federal loans, you may want to consolidate. Interest rates on loans taken after July 1, 2006 are at a fixed rate. The interest rate for a Direct Consolidation Loan combines fixed and variable rates into one fixed rate loan. The rate is based on the weighted average interest rate of the loans being consolidated, rounded up to the next 1/8 of one percent and cannot exceed 8.25 percent.
- Determine your payment amounts by using <http://www.ed.gov/offices/OSFAP/DirectLoan/calc.html>. This site will allow you to determine your payment with and without consolidating.
- Will your monthly payments be manageable? If not, a Direct Consolidation Loan may help you. Use the consolidation calculator to find out what your monthly payments would be under each of the repayment plans. Remember, like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.
- Do you want to only make one payment? If you will be paying several lenders, consolidation may be right for you. Do you have a Direct loan, a Perkins loan and/or a Federal loan from another school that did not participate in the William D. Ford Federal Direct loan program? With a Direct Consolidation Loan, you will have a single lender - the U.S. Department of Education - and a single monthly payment.

HOW DO I BENEFIT?

- One lender and one monthly payment (excluding any private educational loans you may have).
- Borrowers can choose from as many as four different plans with various repayment terms, including an Income Contingent Repayment Plan. These plans are designed to be flexible and borrowers can switch repayment plans at anytime.
- Borrowers with consolidation loans may qualify for renewed deferment benefits. If borrowers have exhausted the deferment options on their current Federal education loans, a consolidation loan may renew those deferment options.
- The minimum monthly payment on a consolidation loan may be lower than the combined payments on Federal education loans.
- A defaulted loan can be included in the consolidation if the borrower agrees to repay the loan under the Income Contingent Repayment Plan or make satisfactory repayment arrangements with the current loan holder.

HOW DO I CONSOLIDATE?

- To qualify for a Direct Loan Consolidation, borrowers must have at least one Direct or Federal Family Education Loan (FFEL) that is in grace, repayment, deferment, or default status. Loans that are in an in-school status cannot be included in a Direct Consolidation Loan.
- To apply for a Direct Consolidation Loan online or to download a paper application go to www.loanconsolidation.ed.gov. For additional assistance contact Direct Lending Consolidation at 1-800-557-7392 or TDD 1-800-557-7395.
- If a borrower consolidates while in grace, the grace period ends immediately after the consolidation has been processed. To retain the grace, apply approximately 30 days before the grace period ends.

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WHAT ELSE SHOULD I KNOW?

- Remember, if a borrower consolidates while in grace, the grace period ends immediately after the consolidation has been processed.
- Borrowers can receive an additional .25% interest rate reduction for electronic payment.
- Interest will not accrue on the subsidized portion of a consolidated loan while in a deferment. But interest will accrue on the total loan amount while in a forbearance.
- Perkins loans may be eligible for loan forgiveness. A borrower with a Perkins loan(s) may choose not to include it in a consolidation, since the loan forgiveness benefit is lost once it has been added to the consolidation. Information about Perkins Loan Forgiveness can be found at the following site: <http://finaid.org/loans/forgiveness.phtml> .

Do you have more questions? Email us at ritaid@rit.edu or call us at (585) 475-2186. Or see your financial aid counselor.

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