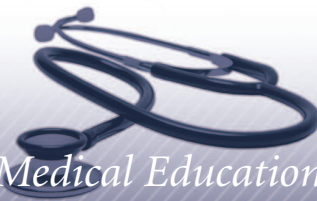


FIRST *for Medical Education*

Financial Information, Resources, Services, and Tools



Consolidating Your Loans

Borrowers can combine multiple federal student loans with various repayment schedules into a single loan – either a FFEL or Direct Consolidation Loan. Simpler is not always better, though, and the decision to consolidate must be made carefully.

Pros and Cons of Consolidating Your Loans

Once made, a federal consolidation loan cannot be “undone.” Weigh the advantages and disadvantages before taking the step to consolidate.

Pros:

- You will have the convenience of one loan servicer for all consolidated loans.
- Your monthly payment might be lower, possibly improving your monthly cash flow.
- You will receive a fixed interest rate.
- You can take a longer time to repay – up to 30 years – depending on the amount of education debt being repaid and the repayment option selected.

Cons:

- Although monthly payments may be lower, total repayment could be much higher if you extend repayment beyond 10 years.
- Accrued interest will capitalize when you consolidate.
- You will most likely lose borrower benefits – such as interest rate discounts or principal rebates.

NOTE: Ask your servicer to “run the numbers,” using all of your eligible loans before you make a decision.

Which Loans Can Be Consolidated...and When?

Most federal education loans are eligible for consolidation:

- All **Stafford and Perkins** loans can be consolidated during the grace period (near the end of grace) and once repayment begins, which includes deferment or forbearance. However, note that if you consolidate Perkins loans, several valuable benefits will be lost.
- **Federal PLUS** loans can be consolidated once they’ve been fully disbursed.
- **Consolidation** loans can be reconsolidated provided you add a loan, or loans, that have not previously been consolidated.

If you’re in default on a federal student loan, you may still be eligible for consolidation if you meet certain repayment requirements. Contact your loan holder for details.

Requesting a Consolidation Loan

Although most FFELP lenders no longer offer Consolidation loans, the Direct Loan program continues to offer a Consolidation loan. For more information, contact the Direct Loan Origination Center's Consolidation Department at 1-800-557-7392 or www.loanconsolidation.ed.gov.

If interested in a FFEL Consolidation loan, check with your lender.

When Does Repayment Begin on a Consolidation Loan?

Repayment on a consolidation loan will begin within 60 days of disbursement of the loan, unless the borrower qualifies for a deferment or forbearance. Consolidation loans, like all federal education loans, do not have a prepayment penalty, so a consolidation loan can be paid off early without incurring a penalty.

Interest Rates for Consolidation Loans

The interest rate for both Direct and FFEL Consolidation Loans is fixed for the life of the loan and is based on the weighted average of the interest rates on all of the loans you consolidate. The Department of Education publishes the **Federal Student Loan Interest Rate and Consolidation Fact Sheet**, which will provide you with further details and current interest rates.

Before You Start... Check out the Consolidation Checklist

For additional details and step-by-step guidance, check out the Department of Education’s full description of **consolidation loans** as well as its **[Consolidation Checklist](#)**.

See Related Topics:
[Loan Repayment Choices](#)
[Delaying Repayment During Residency](#)
[Income-Based Repayment](#)