



# Federal Consolidation Loan Information Guide

---

## Answers to commonly asked questions:

### 1. What is a Federal Consolidation loan?

A Federal Consolidation loan is one of several loans in the Federal Family Education Loan Program (FFELP). A Consolidation loan offers eligible borrowers the opportunity to consolidate all or some of their outstanding federal educational loans into a single new loan, even if their present student loans are held by more than one lender and are of different types.

### 2. Which loans can I consolidate?

- Subsidized Stafford Loans – FFELP or Direct
- Unsubsidized and Nonsubsidized Stafford Loans – FFELP or Direct
- Federal Supplemental Loans for Students (SLS)
- Federal Perkins Loans, formerly National Defense/National Direct Student Loans (NDSL)
- Health Professions Student Loans, including Loans for Disadvantaged Students (HPSL)
- Health Education Assistance Loans (HEAL)\*
- Federal Insured Student Loans (FISL)
- PLUS (Parent) Loans (note that you may not consolidate your parent's PLUS loan with your own) – FFELP or Direct
- PLUS Loans (for graduate/professional students) – FFELP or Direct
- Subsidized Consolidation Loans – FFELP or Direct
- Unsubsidized Consolidation Loans – FFELP or Direct
- Federal Nursing Loans

\* Some lenders do not consolidate HEAL loans. Contact your lender for more information.

### 3. Can I consolidate my private loans with my Federal student loans?

No, any loan that is not part of a federal student loan program cannot be consolidated with a Federal Consolidation loan. Your private loans, however, may be considered in calculating your maximum repayment period. To do so, list your private loans in **Section D.2. Education Loan Indebtedness – Loans You Do Not Want to Consolidate** on page 2 of your Federal Consolidation application.

Your private loan holder may offer consolidation options. Contact your private loan holder for more information.

### 4. Am I eligible for loan consolidation?

You must be in your grace period or have entered repayment (including those in deferment or forbearance) on the loans chosen for consolidation. All loans chosen for consolidation must be fully disbursed. If you are in repayment, you must continue to make monthly payments to your current loan holder(s) until these loans have been paid in full by the consolidating lender. If you are unable to make your payments during this process, please contact your loan holders for alternative arrangements.

**5. Can my delinquent or defaulted loans be consolidated?**

If you are delinquent or in default, you will need to contact the loan holder of your delinquent or defaulted account in order to determine if consolidation is an option.

**6. Can I apply for a Federal Consolidation loan with more than one lender at the same time and wait to see who responds first?**

**No.** Federal regulations prohibit you from applying for a Federal Consolidation loan with more than one lender at a time.

**7. What will be my interest rate?**

The Federal Consolidation loan interest rate is determined when the loan is originated. With the exception of any outstanding balance representing a HEAL loan, the Federal Consolidation loan interest rate is a fixed rate equal to the weighted average of the interest rates of the loans being consolidated rounded up to the nearest 1/8th of 1 percent but not exceeding 8.25 percent.

The interest rate on the portion of a Federal Consolidation loan representing a HEAL loan is a variable rate that is adjusted annually on July 1. This rate is set at 3 percent over the bond-equivalent rate for the three-month Treasury bills auctioned during the three months ending June 30.

**8. Are there fees that I must pay to receive a Federal Consolidation loan?**

No, you will not be charged a fee to receive a Federal Consolidation loan.

**9. What are my repayment options?**

Your lender offers a choice between three repayment plans, including a Level Payment Plan and two Graduated Income Sensitive Payment Plans. Details regarding the repayment plans offered by your lender are detailed below. You will be asked to specify the repayment plan that best fits your needs on the Federal Consolidation Loan Application and Promissory Note.

If you do not notify your lender of your choice of repayment plans, your lender will establish a level repayment schedule.

- **Level Payment Plan** - This option provides equal monthly payments over the maximum repayment period allowed.
- **Graduated Income Sensitive Payment Plan B** - This option allows for interest-only payments for the first one-third of the repayment period. The remaining two-thirds of the repayment period, you pay level monthly payments.
- **Graduated Income Sensitive Payment Plan C** - This option allows for interest-only payments for the first quarter of the repayment period. The second quarter, you pay level monthly payments on the balance, which are calculated using the original maximum repayment period allowed. For the last half of the repayment period, you pay level monthly payments, which are recalculated using the remainder of the original maximum repayment period allowed.

To help determine the best repayment plan for you, visit Great Lakes' website, [mygreatlakes.org](http://mygreatlakes.org), to use the Consolidation Calculator, which calculates your approximate monthly payments using each repayment plans' schedule.

**10. How long do I have to repay my Federal Consolidation loan?**

The length of your repayment period is dependent on your total student loan debt. This amount is the total of those loans you chose to consolidate plus any educational loans you entered in **Section D.2 Education Loan Indebtedness – Loans You Do Not Want to Consolidate** on page 2 of your Federal Consolidation application.

**Please note:** To calculate your total student loan debt, include only the portion from Section D.2 up to the amount of your consolidation loan. For example, if you are consolidating \$15,000, and you listed \$20,000 in Section D.2, your total student loan debt is \$30,000.

**Please note:** There is no prepayment penalty on Federal Consolidation loans.

The repayment periods are as follows:

<b>MAXIMUM REPAYMENT PERIODS FOR FEDERAL CONSOLIDATION LOANS</b>	
<b>Total Student Loan Debt</b>	<b>Maximum Repayment Period</b>
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000	20 years*
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

\* **Extended Repayment** - If your total student loan debt is more than \$30,000, this option allows your maximum repayment period to be extended to 25 years. You still have the option of the Level or either of the Graduated Income Sensitive Payment Plans. If you are interested in this repayment period extension, you can contact your servicer when you receive your consolidation repayment schedule.

**11. How will I know the exact principal amount of my Federal Consolidation loan and the monthly payment amount due?**

After your Federal Consolidation loan has been disbursed, Great Lakes will provide you with a Payment Schedule and Disclosures form. This document will disclose the total amount of your Federal Consolidation loan, the interest rate, estimated costs, and the repayment schedule you will follow.

**12. What deferments are available on a Federal Consolidation loan?**

As a Federal Consolidation loan borrower, you may defer payment of the principal and interest during certain periods. Deferment options available to you depend on two factors: when your Federal Consolidation loan was disbursed; and if after the consolidation, you still have an outstanding principal or interest balance on a federal student loan disbursed before July 1, 1993. Generally, deferments are authorized for the following situations:

<b>Situation</b>	<b>Length of Deferment</b>
At least half-time enrollment at an eligible institution of higher education	No time limit
Graduate fellowship/rehabilitation training program	No time limit
If you are conscientiously seeking but unable to find full-time	Up to 36 months
Economic hardship	Up to 36 months

If you are not eligible for deferment, you may be able to suspend your payments by applying for forbearance. Contact Great Lakes Educational Loan Services, Inc. (Great Lakes) Borrower Services Department at **800-236-4300** for more information on deferment or forbearance.

**Please note:** If your loans were in a deferment or forbearance at the time of the consolidation, you will need to reapply for the deferment or forbearance for your new consolidation loan. Your consolidation loan will be in repayment effective the day of the disbursement.

### 13. May I add to my Federal Consolidation loan once it's been made?

Yes, you may add any eligible loan(s) to your outstanding consolidation loan, provided your request is received within 180 days of the date the consolidation loan is disbursed. You may also be eligible for a subsequent Federal Consolidation loan if you wish to consolidate your existing Federal Consolidation loan with at least one other eligible loan.

---

## Consolidation Procedure

If you decide to apply for a Federal Consolidation loan:

- Complete the enclosed Federal Consolidation Loan Application and Promissory Note. If you know the lender you would like to consolidate with, please indicate the lender's name in Section A, Box 10. If you do not designate a lender, we will assign one for you. Mail the completed application to:

Great Lakes Educational Loan Services, Inc.  
P.O. Box 8956  
Madison, WI 53708-8956

**Please note:** You must return pages 1, 2, and 3. We can only process applications with original signatures. **An application with a faxed or photocopied signature cannot be processed.**

or

- Log into the Borrower section of [mygreatlakes.org](http://mygreatlakes.org), and select *Launch the Consolidation Loan Assistant* from the *Consolidate My Loans* menu. The Consolidation Loan Assistant will guide you through the Federal Consolidation Loan Application and Promissory Note and also provide you with the opportunity to sign and submit your application electronically. If you apply online, we will automatically provide you with your account information for any loans serviced by Great Lakes.

**Note:** Typically, an application for a Federal Consolidation loan is processed and approved in 30-60 days. **Please keep in mind that you should continue to make payments on any loans that are not in deferment or forbearance during your application process.**

---

## Questions?

For more information on the Federal Consolidation loan process and to calculate your approximate monthly payments using each Repayment Option, visit [mygreatlakes.org](http://mygreatlakes.org).

You may also contact the Great Lakes Consolidation Department toll free at 800-950-0152, 8 a.m. - 4:30 p.m. Central Standard Time to speak to a consolidation representative.