Direct Loans

William D. Ford Federal Direct Loan Program

HISTORICALLY LOW RATES MAKE CONSOLIDATION AN ATTRACTIVE DEBT MANAGEMENT TOOL

A lower fixed rate consolidation loan can help manage the burden of student loan payments.

Transitioning into working life and managing finances can be overwhelming, especially after graduation when the grace period ends on student loans and payments become another burden. However, there is a solution available for graduates, and students still in school, to help manage these payments — loan consolidation.

Consolidation is an Option to Manage Education Debt

Consolidation of one or more student loans creates a single new loan with a fixed interest rate. This is attractive for three primary reasons. First, consolidation turns a variable rate loan(s) into a fixed rate loan. A consolidation loan's fixed interest rate is based on the current interest rates of the loans consolidated. This is an important benefit because of the current historically low interest rates. By consolidating now, borrowers are safeguarded from future annual interest rate adjustments and protected from potential increases in monthly payments as a result of these adjustments. Second, consolidation provides the convenience of a single point of contact for customer service and only one single monthly payment to make. This benefit allows borrowers to keep track of their loan debt easier. Third, consolidation often enables a borrower to lower their monthly payments by extending their payment term beyond the maximum 10-year period. For borrowers who need to reduce monthly payments to help meet other day-to-day living expenses, the choice of an extended or graduated repayment plan can be attractive, although more expensive in the long-term. Additional benefits for a consolidation loan are no application fees or prepayment penalties and, under certain cases, interest on student loans may be tax deductible.

Considering Consolidation? Try a Loan Calculator

Consolidation lenders frequently have repayment calculators available on their web sites. These are helpful in determining different payment scenarios and the total cost of borrowing based on interest rates, payment plans, and loan amount. Such tools can be helpful when considering consolidation.

Options Available through the William D. Ford Federal Direct Consolidation Loan Program.

Borrowers who are still enrolled in school may be eligible for an In-School Direct Consolidation Loan. Borrowers qualify for in-school consolidation if they have at least one Federal Stafford or a Direct Loan with an "in-school" status, and they attend a school participating in the Direct Loan Program. Borrowers who don't attend a participating school may be eligible as long as they have at least one Direct Loan. Under the program, borrowers who consolidate while in school still receive a six-month grace period.

The Direct Consolidation Loan Program also provides the unique flexibility to consolidate more than once, except in certain cases where previously defaulted loans are involved. Moreover, there are no restrictions on the number of loans or loan amounts. Therefore, for qualified borrowers seeking more flexibility in addition to all the common benefits of consolidation, a new consolidation loan through the Direct Consolidation Loan Program is worth considering. Borrowers who are still in school can also obtain more information from a financial aid counselor or loan services office.

For more information or to simply apply for a Direct Consolidation Loan call 1-800-848-0979, or go to www.loanconsolidation.ed.gov.