

**Consolidation as Part of Your Repayment Strategy**  
**Class of 2012 Dental School Graduates**

You may be considering consolidation as part of your overall repayment strategy as you graduate and transition into your dental career or begin additional training following graduation. Consolidation is a process whereby you pay off or “refinance” multiple loans with one new loan. There are both advantages and disadvantages to consolidation, and while it is an effective debt management tool for some dental school borrowers, it is not appropriate for everyone.

**Potential Advantages**

- Convenience
  - One loan, one loan servicer, one payment, one place to file forms
- Converts former non-Direct Loans into Direct Loans
  - Only Direct Loans (Stafford, Grad PLUS, and Consolidation Loans borrowed through the Federal Government’s Direct Loan Program) are eligible for Public Service Loan Forgiveness (PSLF)
  - You will need to consolidate any non-Direct Loans into a Direct Consolidation Loan in order for their balance to become potentially eligible for PSLF (assuming other PSLF eligibility criteria are met)
- Repayment term may be extended to 30 years, which lowers monthly payments, but adds to total repayment costs if loan held to term (meaning the borrower takes the full 30 years to repay)

**Potential Disadvantages**

- Partially negates an aggressive repayment strategy
  - Voluntary or additional payments cannot be targeted against higher interest rate loans such as Grad PLUS because you only have one loan at one rate
- Can be lengthy process (may take 60-90 days)
- Slightly higher interest rate
  - Interest rate on consolidation loans is a “weighted” rate of all loans being consolidated, rounded up an eighth of a percent (.125%) then fixed for life of loan
- Loss of Grace periods on loans you are consolidating, if you consolidate too early
- Loss of interest subsidy on Perkins and Health Professions Student Loans if they are included in consolidation
  - Balance on these loans is “converted” to unsubsidized status upon consolidation

### **Important Notes and Helpful Hints**

1. Only place to consolidate eligible federal loans is at [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)
2. Important to remain in “Good Standing” on loans you are planning to consolidate during the consolidation process
  - Pay your loans when they come due or put them into Deferment or Forbearance until they are paid in full through consolidation
3. In general, you do not forfeit Deferment and Forbearance options when you consolidate
4. NSLDS record at [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov) may help when completing your consolidation application, as this may save you time looking up your eligible loans, plus NSLDS provides information on your lender and servicer
  - NSLDS does not reflect interest rates or account numbers
5. *Borrowers who consolidate Grad PLUS Loans and who want to repay their consolidation loan through Income Based Repayment (IBR) should not use Codes S or U on their consolidation application (as indicated in the Instructions); rather they should use Code G when listing Grad PLUS Loans (this guidance per the Department of Education)*
6. Watch for the *Direct Consolidation Loan Summary Sheet*
  - You get a list of all the loans they show you want to consolidate before they pay your lenders; you have 15 days to review this, including mail time
7. Borrowers who are eligible for the new Special Direct Consolidation Loan Program will be notified of their eligibility by their loan servicer. For more information, please visit [www.studentaid.ed.gov/specialconsolidation](http://www.studentaid.ed.gov/specialconsolidation).

### **Important Contact Information**

You currently will deal with two departments when consolidating with the Direct Consolidation Loan program:

#### Direct Consolidation Loan Origination

- Processes your application, pays off your outstanding loans with your current lenders, processes your request for a particular repayment plan for your Direct Consolidation Loan
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) (FAQs, instructions, forms, online application)
- 800.557.7392

#### Direct Loan Servicer (DLS)

- Handles all the servicing of your Direct Consolidation Loan once the loan is completed
- Determines your monthly payment amount and sends invoices
- Processes Deferment and/or Forbearance requests when needed
- DLS not involved until 2-3 days after your DCL has been completed
- [www.myedaccount.com](http://www.myedaccount.com) (you should have an account if you already have Direct Loans)
- 800.848.0979

While ADEA seeks to ensure that all information provided is current and accurate as of February 1, 2012, it disclaims any responsibility for subsequent changes or for errors, omissions, or contrary interpretation of the subject matter.