

Consolidation Checklist

If you are considering consolidating your loans, review the steps below to see whether this is the best option for you.

_____ Step 1: Take an Inventory of Your Current Student Loans

For information about your student loans, review your loan documents and contact your lender(s) or loan servicer(s). Visit www.nslds.ed.gov to identify your lender(s) or loan servicers.

****For Federal Perkins Loan Borrowers – carefully consider whether you want to include your Federal Perkins Loan with your Consolidation Loan after reading the following:**

- a) There are over twenty different cancellation conditions that may qualify you for 100 percent loan forgiveness. A few examples are; full-time time teacher in a U.S. Department of Education designated elementary or secondary school serving students from low-income families, full-time law enforcement or corrections officer, full-time nurse or medical technician, etc. For detailed information on all cancellation conditions, please visit:
http://studentaid.ed.gov/PORTALSWebApp/students/english/PerkinsLoanCancellation_DischargeSummChart.jsp

- b) The interest rate for a Direct Consolidation Loan is calculated by the weighted average of the interest rates on the loans being consolidated (as of the date the U.S. Department of Education receives the application), rounded to the nearest higher one-eighth of one percent. This rate is fixed for the life of the loan and cannot exceed 8.25 percent. The Federal Perkins Loan has a fixed interest rate of 5%, with payment beginning 9 months after you graduate or drop below half-time attendance. If you include your Federal Perkins Loan in your Consolidation Loan, the Federal Perkins interest rate used for consolidation purposes will be 6.8% (same as an Unsubsidized Loan), not the actual rate of 5%.

_____ Step 2: Determine Your Monthly Payment Amount

You can find out your payment amounts by calling your lender(s) or loan servicer(s), or by checking your on-line account with each lender/servicer if you are already in repayment.

_____ Step 3: Be Sure To Include Your Monthly Payment In Your Budget

- Review your monthly income and expenses to determine how much of your monthly income is available to make your student loan payments. The amount should be based on a realistic review of your personal budget and your necessary expenses.
- Compare the amount of your income you have set aside for student loan repayment against the monthly payment amount in Step 2 above.
- If your monthly budgeted amount is less than the actual monthly payment in Step 2 above:
 - Reevaluate your budget and identify ways to reduce expenses and/or increase income.
 - Consider your federal loan repayment options. For example, the Income Based Repayment plan may result in lower monthly payments (see [Repayment Plans and Calculators](#)).
 - Consider [deferment or forbearance](#) for short-term payment relief.
 - If debt relief needs are long-term, consider consolidation. Note, you can only re-consolidate if you are adding a new federal loan to the consolidation.

_____ Step 4: Consider Consolidation

- Decide which loans you would like to consolidate.
- Determine the monthly payment and total interest costs for the Consolidation Loan and compare to cost of repaying loans without consolidation.
 - Use an [online calculator](#) or call the Federal Direct Consolidation Loans Information Center at 1-800-557-7392 to estimate your weighted average interest rate and to see what your loan payments might be under each of the available repayment plans.
- Consider the impact of consolidation on deferment and cancellation options, and other borrower benefits such as interest rate discounts or principal rebates that you currently have on your loans. **You might lose some cancellation (discharge) or deferment benefits if you include certain types of loans (such as Federal Perkins Loans) in your Consolidation Loan.** To learn more about how consolidation might impact your deferment and cancellation options, contact your lender(s) or loan servicer(s).
- If you decide consolidation is right for you, or you have questions about the process, contact the Direct Loan Consolidation Information Center at 1-800-557-7392 (TDD/TTY: 1-800-557-7395) or visit www.loanconsolidation.ed.gov
- **If you are already in repayment, be sure to continue making payments on your loans until the consolidation is completed.**