Should You Consolidate?

The following questions and answers may help you determine if loan consolidation is right for you.

Do You Have Multiple Student Loans and Servicers?

If you are dealing with multiple loans and servicers, consolidation can simplify repayment by providing one loan, one servicer, and one payment.

Do You Need a Lower Monthly Payment?

One of the greatest benefits to consolidation is a single monthly payment with a required monthly payment less than the 10-year Standard payment amount. This is possible because consolidating stretches the original 10-year repayment term up to 30 years. However, this does not mean you have to take 30 years to pay off your loan. You can choose to pay the loan off early without any penalties, and the sooner you pay off your loan, the less the loan will cost overall.

Keep in mind, there may be ways other than consolidation to obtain a lower monthly payment. For example, income-driven repayment plans can offer a lower monthly payment without consolidating. Discuss these repayment options with your servicer(s).

Are You Considering Work in Public Service?

Consolidating with Direct Loans may be necessary to make some federal loans eligible for Public Service Loan Forgiveness (PSLF). Not all loans need to be consolidated in order to be eligible. To view your loan portfolio, visit the National Student Loan Data System (NSLDS) or contact your servicer.

The Department of Education's website lists the loans eligible for PSLF.

Do You Have Private and Federal Student Loans?

If you are finding it difficult to repay both your private and federal loans, consolidation may offer an advantageous repayment strategy.

After consolidating your **federal** loans and obtaining a single servicer, you can request a Mandatory Medical Residency Forbearance to postpone payments on all of your federal loans during residency. Then, while your federal loan payment is postponed, aggressively focus repayment on your private loan debt.

Are You Eligible for and Considering the Pay As You Earn (PAYE) or the Income-Based Repayment (IBR) Plan?

For federal loans to be eligible for PAYE or IBR, you may need to consolidate them. Federal loans that do not have the word "Direct" in their name would need to be consolidated in order to qualify for PAYE or IBR.

The Department of Education's website lists loans eligible for the income-driven repayment plans.

There are additional requirements to qualify for the PAYE repayment plan. You must be a "new borrower" as of October 1, 2007, and you must have received a Direct Loan disbursement on or after October 1, 2011. Contact your servicer for detailed information about your eligibility.

Complete a consolidation application or learn more about the consolidation process at www.studentloans.gov.

Related Resources

The Effects of Consolidation
Loan Repayment Options
Income-Based Repayment
Pay As You Earn Repayment