



When can I consolidate my loans?

For both FFEL and Direct Loans you can consolidate:

- During your grace period.
- Once you've entered repayment (the day after the end of the six-month grace period).
- During periods of deferment or forbearance.

How do I get a consolidation loan?

- **FFEL Consolidation Loan**—Contact the consolidation department of a participating lender for an application and more information. You may consolidate your loans with any eligible consolidation lender in the FFEL program.
- **Direct Consolidation Loan**—Contact the Direct Loan Origination Center's Consolidation Department at **1-800-557-7392**, or go to www.loanconsolidation.ed.gov. TTY users may call **1-800-557-7395**.

What's the interest rate on a consolidation loan?

The interest rate for both Direct and FFEL Consolidation Loans is a fixed rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on all of the loans you consolidate, rounded up to the nearest one-eighth of 1 percent. The interest rate will never exceed 8.25 percent.

Are there any disadvantages to getting a consolidation loan?

Yes, there could be. For example, consolidation may significantly increase the total cost of repaying your loans. Because you may have a longer period of time to repay, you'll pay more interest.

Where can I get more information on consolidation loans?

- You can contact the holder of your loans.
- You can read more about loan consolidation in our publication *Repaying Your Student Loans*. You can get a copy online at www.FederalStudentAid.ed.gov/pubs or a paper copy by contacting the Federal Student Aid Information Center at **1-800-4-FED-AID (1-800-433-3243)**.

Once made, consolidation loans cannot be revoked for any reason because the underlying loans that were consolidated have been paid off and no longer exist.

Loan Discharge or Cancellation

Is it ever possible to have my federal student loan discharged or canceled?

Yes, but only under rare circumstances. A discharge or cancellation releases you from all obligation to repay the loan.

Your loan cannot be discharged or canceled because you didn't:

- Complete the program of study at the school (unless you could not complete the program because the school closed),
- like the school or program of study, or
- obtain employment after completing the program of study.

What qualifies my loan for discharge?

Discharge refers to the cancellation of a loan, even one in default,* due to school closure, false certification, your death or total and permanent disability.

What qualifies my loan for cancellation?

Cancellation or sometimes "forgiveness" of a loan is based on the borrower performing certain types of service such as teaching in a low-income school. A defaulted* loan cannot be canceled based on qualifying service (e.g. teaching).

For a complete list of discharge and cancellation provisions for Perkins Loans and Stafford Loans, check the following two charts: Perkins Loan Discharge and Cancellation Summary (page 35) and Stafford and PLUS Loan Discharge and Cancellation Summary (page 36).

How do I find out if I can get a discharge or cancellation?

After reviewing the conditions, if you think you qualify, you must apply to the holder of your loan.

- **Federal Perkins Loans**—Check with the school that made you the loan or with the school's loan servicing agent.
- **Direct Stafford Loans**—Contact the Direct Loan Servicing Center at **1-800-848-0979**. TTY users can call **1-800-848-0983**. Or, go to www.dl.ed.gov.
- **FFEL Stafford Loans**—Contact your lender or its loan servicing agent.

Can parents and graduate and professional degree students with PLUS Loans ever have their loan discharged or canceled?

These rules apply to Stafford and PLUS Loans (for parents and graduate and professional degree students):

- A PLUS Loan cannot be discharged because you or the student didn't complete your program of study at your school (unless you or the student couldn't complete the program because the school closed).

- A PLUS Loan cannot be canceled because you or the student didn't like the school or the program of study.
- A PLUS Loan cannot be canceled because you or the student didn't obtain employment after completing the program of study.

Perkins Loan Discharge and Cancellation Summary Chart	
Cancellation Conditions ^a	Amount Forgiven
Bankruptcy (in rare cases—cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship)	100 percent
Closed school (before student could complete program of study)—applies to loans received on or after Jan. 1, 1986	100 percent
Borrower's total and permanent disability or death ^b	100 percent
Full-time teacher in a designated elementary or secondary school serving students from low-income families ^c	Up to 100 percent
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school) ^c	Up to 100 percent
Full-time qualified professional provider of early intervention services for the disabled	Up to 100 percent
Full-time teacher of math, science, foreign languages, bilingual education, or other fields designated as teacher shortage areas	Up to 100 percent
Full-time employee of a public or nonprofit child- or family-services agency providing services to high-risk children and their families from low-income communities	Up to 100 percent
Full-time nurse or medical technician	Up to 100 percent
Full-time law enforcement or corrections officer	Up to 100 percent
Full-time staff member in the education component of a Head Start Program	Up to 100 percent
Vista or Peace Corps volunteer	Up to 70 percent
Service in the U.S. Armed Forces	Up to 50 percent in areas of hostilities or imminent danger

^a As of Oct. 7, 1998, all Perkins Loan borrowers are eligible for all cancellation benefits regardless of when the loan was made or the terms of the borrower's promissory note. * However, this benefit is not retroactive to services performed before Oct. 7, 1998.

^b Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or to result in death. If you are determined to be totally and permanently disabled based on a physician's certification, your loan will be conditionally discharged for up to three years. This conditional discharge period begins on the date you became totally and permanently disabled, as certified by your physician. During this conditional discharge period, you do not have to make payments on your loan(s). To qualify for a final discharge due to total and permanent disability, you must meet the following requirements during the conditional

discharge period: (1) your earnings from employment must not exceed the poverty line amount for a family of two; and (2) you must not receive any additional loans under the FFEL, Direct Loan or Perkins Loan programs. If you do not continue to meet these requirements at any time during or at the end of the conditional discharge period, your loan(s) will be taken out of conditional discharge status and you must resume making payments on your loans. You cannot qualify for loan discharge based on a condition that existed before the loan was made, unless a doctor certifies that your condition substantially deteriorated after you obtained the loan. For more information on qualifying for this discharge, review your promissory note* and Borrower's Rights and Responsibilities Statement or contact your loan holder.

^c Detailed information on teaching service cancellation/deferment options can be found at www.FederalStudentAid.ed.gov. At the site, click on the "Students, Parents and Counselors" tab.

*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.



Stafford and PLUS Loan Discharge and Cancellation Summary Chart		
Discharge/Forgiveness Condition	Amount Discharged/Forgiven	Notes
Borrower's total and permanent disability or death*	100 percent	For a PLUS Loan, includes the death, but not disability, of the student for whom the parents borrowed.
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families. Must meet additional eligibility requirements	Up to \$5,000 (up to \$17,500 for teachers in certain specialties) of the total loan amount outstanding after completion of the fifth year of teaching. Under the Direct and FFEL Consolidation Loan programs, only the portion of the consolidation loan used to repay eligible Direct Loans or FFEL Loans qualifies for loan forgiveness.	For Direct and FFEL Stafford Loan borrowers with no outstanding balance on a Direct or FFEL Loan on the date they received a loan. PLUS Loans are not eligible. At least one of the five consecutive years of teaching must occur after the 1997-98 academic year.* To find out whether your school is considered a low-income school, go to www.FederalStudentAid.ed.gov . Click on the "Students, Parents and Counselors" tab. Or call 1-800-4-FED-AID (1-800-433-3243).
Bankruptcy (in rare cases)	100 percent	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification.	100 percent	For loans received on or after Jan. 1, 1986.
False loan certification now includes identity theft.	100 percent	Effective July 1, 2006.
School does not make required return of loan funds to the lender	Up to the amount that the school was required to return.	For loans received on or after Jan. 1, 1986.

*Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or to result in death. If you are determined to be totally and permanently disabled based on a physician's certification, your loan will be conditionally discharged for up to three years. This conditional discharge period begins on the date you became totally and permanently disabled, as certified by your physician. During this conditional discharge period, you do not have to make payments on your loan(s). To qualify for a final discharge due to total and permanent disability, you must meet the following requirements during the conditional discharge period: (1) your earnings from employment must not

exceed the poverty line amount for a family of two; and (2) you must not receive any additional loans under the FFEL, Direct Loan or Perkins Loan programs. If you do not continue to meet these requirements at any time during or at the end of the conditional discharge period, your loan(s) will be taken out of conditional discharge status and you must resume making payments on your loans. You cannot qualify for loan discharge based on a condition that existed before the loan was made, unless a doctor certifies that your condition substantially deteriorated after you obtained the loan. For more information on qualifying for this discharge, review your promissory note* and Borrower's Rights and Responsibilities Statement or contact your loan holder.