



Consolidation Primer: A Quick Reference Guide to Consolidation Class of 2011 Dental School Graduates

You may be considering consolidation as part of your overall repayment strategy as you 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, and there are both advantages and disadvantages to consolidation.

Potential Advantages

- Convenience (one loan, one loan servicer, one payment, one place to file forms).
- Only Direct Loans are eligible for Public Service Loan Forgiveness (PSLF). Therefore, dental school graduates with federal loans from private lenders like Bank of America, Chase, Sallie Mae, and Wells Fargo, must “convert” these loans into Direct Loans through consolidation in order for them to become eligible for PSLF, assuming other eligibility requirements for PSLF are met.
- Repayment term may be extended, which lowers monthly payments, but adds to the total repayment costs (assuming loan taken to term).

Potential Disadvantages

- You cannot target voluntary or additional payments on a higher interest rate loan, because you only have one loan at one rate (assuming you consolidate all eligible loans).
- Can be a lengthy process (consolidation may take 60-90 days).
- Slightly higher interest rate (weighted rate round up to nearest .125%).
- Possible loss of Grace periods, depending on when you consolidate.
- Loss of interest subsidy on Perkins, Health Professions Student Loans, and Loans for Disadvantaged Students, if these are included in consolidation before their respective Grace periods expire.

Important Notes and Helpful Hints

1. You must remain in “Good Standing” on any loans you are planning to consolidate during the consolidation process, which means either paying them when they come due or putting them into deferment or forbearance until they are paid in full through consolidation. The idea is to have no “gaps” between the start of repayment and the completion of your consolidation loan.
2. In general, you do not forfeit deferment and forbearance options when you consolidate.
3. Have your NSLDS record at www.NSLDS.ed.gov handy when completing your consolidation application, as you will find helpful information on your loans on this site, including information on your lenders and loan servicers.
4. Due to a processing problem with the Direct Consolidation Loan (DCL) system, borrowers who are consolidating *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 for Grad PLUS as listed in the DCL instructions. *Use Code G (Unsubsidized Stafford) for Grad PLUS.*

5. You will receive a Summary Statement from DCL listing all the loans you want to consolidate *before* they pay your lenders. *You have 10 days to review this.*
6. Make a thoughtful decision about consolidation because you cannot undo a consolidation loan once it is disbursed and your lenders are paid in full for the loans you are consolidating.

Important Contact Information

There are two units you will deal with when consolidating with the Direct Consolidation Loan program:

Direct Consolidation Loan Origination

- This unit processes your application, pays off your current lenders, and initially processes your request for a particular repayment plan for your DCL.
- www.loanconsolidation.ed.gov (FAQs, instructions, forms, an online application) and 800.557.7392

Direct Loan Servicer

- This unit handles all the servicing of your DCL once the loan is completed. The Direct Loan Servicer (DLS) ultimately determines your repayment plan and subsequent payment amounts, and will work with you to process any deferment and/or forbearance requests should you need to postpone payments. *The DLS is not involved until 2-3 days after your DCL has been completed.*
- www.dl.ed.gov/borrower and 800.848.0979

Next Steps

- Consider what you gain and what you may give up when you consolidate.
- Consider how consolidation will help you meet your repayment objectives.
- Consider the repayment start date for all the loans you want to consolidate and determine when you want to start the process. You can get a list of eligible loans in the FAQ section at www.loanconsolidation.ed.gov.

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