Consolidation Frequently Asked Questions

This document provides answers to questions frequently asked about Direct Loan Consolidation, including information about consolidation benefits, application, eligibility, and repayment.

Consolidation Benefits

Question	Answer
What are the benefits of Direct Loan Consolidation?	Direct Consolidation Loans allow borrowers to combine 1 or more of their federal education loans into a new loan that offers several advantages. • **1 Lender and 1 Monthly Payment:** With only 1 lender and 1 monthly bill, it's easier than ever for borrowers to manage their debt. Borrowers have only 1 lender, the U.S. Department of Education, for all loans included in a Direct Consolidation Loan. • **Flexible Repayment Options:** Borrowers can choose from multiple plans to repay their Direct Consolidation Loan, including plans that base the required monthly payment amount on their income. These plans are designed to be flexible to meet the different and changing needs of borrowers. • **No Minimum or Maximum Loan Amounts or Fees:** There is no minimum amount required to qualify for a Direct Consolidation Loan. In addition, consolidation is free. • **Reduced Monthly Payments:** A Direct Consolidation Loan may ease the strain on a borrower's budget by lowering their overall monthly payment. The minimum monthly payment on a Direct Consolidation Loan may be lower than the combined payments charged on a borrower's federal education loans. • **Retention of Subsidy Benefits:** There are 2 possible portions to a Direct Consolidation Loan: subsidized and unsubsidized. Borrowers retain their subsidy benefits on most types of subsidized loans that are consolidated into the subsidized portion of a Direct Consolidation Loan.
Does consolidation affect borrowers' interest rates?	If borrowers currently have variable interest rates on their federal student loans, consolidation allows them to have a fixed interest rate for the life of their loans. Borrowers can review their loan details, including their interest rates, by logging into the National Student Loan Data System (NSLDS) website (https://www.nslds.ed.gov/nslds_sa) with their Federal Student Aid (FSA) ID. **Note:** If borrowers don't have an FSA ID, they can create one on the Create a New FSA ID page on FSA's website (https://fsaid.ed.gov/npas/index.htm). If borrowers currently have multiple interest rates across all their federal student loans, consolidating establishes 1 interest rate that remains the same for the duration of their repayment period. The fixed rate is based on the weighted average of the interest rates of the loans being consolidated.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>How does consolidation impact borrowers' repayment options?</td><td>When borrowers consolidate, they may be eligible for a longer repayment term. The amount of time they have to repay their consolidation loan is based on their consolidation loan balance. This means they can extend the amount of time from 10 years to up to 30 years, allowing them to pay a lower amount each month.

Note: When borrowers have a longer repayment term, their monthly installment amount may decrease because they have more time to repay the debt; however, longer repayment terms typically mean they pay more over the life of their loan. For borrowers who select Standard or Graduated repayment plans, their repayment term is based on their total education debt, not just the consolidation loan balance. It's important that all education debt, regardless of whether it is eligible for consolidation, is included on the application.

Additionally, if borrowers consolidate Federal Family Education Loan Program (FFELP) Loans, they may be eligible to apply for the following repayment plans and forgiveness programs that are only available for Direct Loans.
Revised Pay As You Earn
Pay As You Earn
Income-Contingent Repayment
Public Service Loan Forgiveness</td></tr>
<tr><td>Does consolidation affect the way borrowers' loans are serviced?</td><td>Consolidating makes it easier for borrowers to manage their student loan debt. They have 1 federal student loan servicer for all loans included in their consolidation, so they receive 1 bill and make 1 payment each month for all of the loans included in their consolidation.</td></tr>
<tr><td>Do borrowers lose their borrower benefit incentives when consolidating FFELP Loans?</td><td>When borrowers consolidate FFELP Loans, the loans become Direct Loans, and borrowers lose any borrower benefit incentives they were working towards on their FFELP Loans. If they have already met the requirements for a borrower benefit incentive and have already received the benefit, it is not lost when consolidating.

Borrowers should contact their loan servicer before consolidation to determine if they are at risk of losing borrower benefit incentives.</td></tr>
</table>

Consolidation Application

Question	Answer
When should borrowers apply for consolidation?	Borrowers can submit Direct Consolidation Loan applications at any time during their grace period or while their loans are in repayment. **Note:** The new consolidation loan enters repayment immediately. Borrowers can have their new servicer hold their Direct Consolidation Loan application if they want to take advantage of their full grace period.

What information is needed to apply?	To complete a Direct Consolidation Loan application, borrowers need the following information.
	• **Loan Details:** Borrowers should review their loan documents or contact their lender or loan servicer. If they don't know who their loan servicer is, they can find out on the National Student Loan Data System (NSLDS) website (https://www.nslds.ed.gov/nslds_sa/). They'll need to know which loans they want to consolidate.
	• **Federal Student Aid (FSA) ID:** An FSA ID gives the borrower access to FSA's online systems and can serve as the borrower's legal signature.
	• **Personal Information:** The borrower should supply two references.
	• **Income Details:** If borrowers are interested in having their consolidation loan set up on an income-driven repayment plan, such as Income-Based Repayment or Income-Contingent Repayment, they'll need to supply the following income information during the consolidation process.
	  • Adjusted gross income
	  • Family size

Where can borrowers apply?	Borrowers can find more information about consolidation and apply online by completing the following. 1. Access the StudentLoans.gov website (https://studentloans.gov/myDirectLoan/index.action). 2. Select the Repayment and Consolidation tab, click Complete a Consolidation Loan Application and Promissory Note, and then click LOG IN or Log in to Start. They can also find information on the Apply for Consolidation page on the Great Lakes website (https://www.mygreatlakes.org/educate/consolidation/apply.html).
How do borrowers add loans to their consolidation?	Borrowers who want to add loans to their consolidation must complete the Federal Direct Consolidation Loan Request to Add Loans form and return it to their servicer. Borrowers can obtain an application by contacting their servicer, or accessing the StudentLoans.gov website.
How long does the consolidation process take?	Consolidation takes approximately 30 business days to complete. **Note:** Adjusting the application after it was submitted can extend the amount of time it takes to complete the process.
Can borrowers delay the processing of their consolidation applications?	Yes, borrowers may delay the processing of their Direct Consolidation Loan until closer to their grace period end date if any of the loans they want to consolidate are in a grace period. Normally, when existing loans are consolidated into a new Direct Consolidation Loan, borrowers are required to start repayment of their new loan immediately. However, if any loan to be included in the consolidation is still in a grace period, borrowers can delay entering repayment on their new Direct Consolidation Loan until closer to their grace period end date by entering their expected grace period end date (month and year) in the space provided on the application. The application is processed about 45 days before the expected grace period end date provided. If the expected grace period end date is left blank on the application, the Direct Consolidation Loan enters repayment immediately, and borrowers lose the remaining portion of the grace period on the loans they're consolidating. Borrowers can select a date up to 9 months in the future. If their grace period end date is more than 9 months away, they should wait to submit their application.

Consolidation Eligibility

Question	Answer
Who's eligible for a Direct Consolidation Loan?	To qualify for a Direct Consolidation Loan, borrowers must have at least 1 federal loan in grace or repayment (which includes loans that are delinquent or in deferment or forbearance). Loans in an In School status or loans with balances of $0 are not eligible for Direct Loan Consolidation. In addition, borrowers are not eligible for Direct Loan Consolidation if: • The loans are subject to a judgment secured through litigation or an order for wage garnishment, unless the judgment has been vacated or the wage garnishment order has been lifted. • The loans have a pending death or disability claim filed. Borrowers can consolidate defaulted loans as long as they agree to pay their new Direct Consolidation Loan under an income-driven repayment plan or make satisfactory repayment arrangements with their loan holder.
What types of loans can be included in a consolidation?	Most federal student loans are eligible for consolidation, including the following. • Direct Subsidized Loans • Direct Unsubsidized Loans • Subsidized Federal Stafford Loans • Unsubsidized Federal Stafford Loans • Direct PLUS Loans • PLUS Loans from FFELP • Supplemental Loans for Students (SLS) • Federal Perkins Loans • Federal Nursing Loans • Health Education Assistance Loans (HEALs) • Some existing consolidation loans **Note:** Private education loans and Spousal Consolidation Loans are not eligible for consolidation.
Can borrowers consolidate PLUS Loans?	Yes, PLUS Loans can be consolidated into a Direct Consolidation Loan. However, PLUS Loans received by parents to help pay for a dependent student's education cannot be consolidated together with federal student loans the student received.
Can borrowers consolidate Perkins Loans?	Yes, it's possible to consolidate Perkins Loans into a Direct Consolidation Loan by themselves. Furthermore, all Perkins Loans consolidated into the Federal Direct Loan Program are included in the unsubsidized portion of the Direct Consolidation Loan. Borrowers should carefully weigh the advantages and disadvantages of including a Perkins Loan in a consolidation loan. While borrowers gain the benefits of the Direct Consolidation Loan Program, they also lose the benefits associated with the Perkins Loan Program. We recommend borrowers consider the following points prior to making a decision. • Borrowers may qualify for cancelation of some or all of their Perkins Loans in exchange for performing certain kinds of public service. These cancelation benefits are lost when a Perkins Loan is included in a Direct Consolidation Loan. • Perkins Loans have a grace period of 6-9 months. When a Perkins Loan is consolidated, any remaining grace period is lost. • Interest does not accrue when a Perkins Loan is placed in deferment. However, a Perkins Loan is included in the unsubsidized portion of a Direct Consolidation Loan, and borrowers are responsible for interest that accrues on the unsubsidized portion of a Direct Consolidation Loan during deferment periods. • Perkins Loans generally have lower interest rates but have less flexible repayment periods of 10 years.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>Can borrowers consolidate health professions loans?</td><td>Yes, with a Direct Consolidation Loan, borrowers can include the following health professions loans, sponsored through the U.S. Department of Health and Human Services.

Eligible Health Professions Loans
Health Professions Student Loans (HPSL)
HEALs
Loans for Disadvantaged Students (LDS)
Nursing Student Loans (NSL)

Advantages
Direct Consolidation Loans offer many advantages to borrowers of health professions loans, including:

A longer repayment period, which may result in a lower monthly payment.
A single monthly payment.

When deciding to consolidate health professions loans, borrowers should consider the following advantages.

Borrowers who have defaulted on a HEAL may include the collection costs and late fees in a Direct Consolidation Loan. These fees may not be included in HEAL refinancing.
To qualify for an in-school deferment, Direct Consolidation Loan borrowers must be attending school at least half-time. HPSL, HEAL, and LDS borrowers are required to attend school full time to be eligible for in-school deferments.

Issues to Consider
Before applying for Direct Consolidation Loans, borrowers should consider the following points.

HEALs have fixed or variable interest rates that are tied to the average 91-day Treasury bill rate plus 3 percentage points. There is no maximum interest rate for variable rate HEALs. In contrast, the interest rate for Direct Consolidation Loans is based on the weighted average of the interest rates of the loans being consolidated, rounded to the nearest higher 1/8th of 1%. It is a fixed rate and will not exceed 8.25%.
The interest on some health professions loans is subsidized by the U.S. Department of Health and Human Services. This interest subsidy is lost when these loans are included in Direct Consolidation Loans.
Interest does not accrue during deferment for HPSL, LDS, and NSL borrowers. Interest does accrue during deferment on the portion of Direct Consolidation Loans that repaid health professions loans.
Borrowers who consolidate health professions loans do not retain the deferment benefits that apply to those loans. However, they gain the deferment benefits that apply to Direct Consolidation Loans.
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<tr><td>Can borrowers consolidate loans that are in grace status?</td><td>Yes. However, once grace status loans are consolidated, borrowers lose any remaining grace period, unless they request delayed processing of their Direct Consolidation Loan applications. Borrowers receive their first bills within 60 days after the new Direct Consolidation Loans are made.
In some cases, borrowers who consolidate loans that are in the grace period may receive lower interest rates on the new Direct Consolidation Loans.

Some loans first disbursed before 07/01/2006 have variable interest rates that are lower during the grace period. If a borrower consolidates 1 of these variable rate loans during the grace period, this may result in a lower interest rate on the new Direct Consolidation Loan.
Loans first disbursed on or after 07/01/2006 have fixed interest rates that are the same during all periods, including the grace period. While borrowers with fixed interest rate loans can consolidate while in grace, there is no potential interest rate benefit in doing so.
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Question	Answer
Can borrowers obtain Direct Consolidation Loans if they don't have any Direct Loans?	Yes, borrowers without any Direct Loans may be eligible for a Direct Consolidation Loan if they consolidate at least 1 eligible federal loan.
Can borrowers consolidate while still in school?	Borrowers cannot consolidate Direct Loans while in school. To qualify for a Direct Consolidation Loan, borrowers must have at least 1 federal loan in grace or repayment (which includes loans that are delinquent or in deferment or forbearance). Loans in an In School status or loans with balances of $0 are not eligible for Direct Loan Consolidation. In addition, borrowers are not eligible for Direct Loan Consolidation if: • The loans are subject to a judgment secured through litigation or an order for wage garnishment, unless the judgment has been vacated or the wage garnishment order has been lifted. • The loans have a pending death or disability claim filed. Borrowers can consolidate defaulted loans as long as they agree to pay their new Direct Consolidation Loan under an income-driven repayment plan or make satisfactory repayment arrangements with their loan holder.
Can borrowers consolidate if they're in default?	Yes. Loans in default can be consolidated if the borrower agrees to repay the new Direct Consolidation Loan under an income-driven repayment plan or makes satisfactory repayment arrangements with their loan holder. A defaulted loan cannot be included in a consolidation if the loan is subject to a judgment secured through litigation or an order for wage garnishment, unless the judgment has been vacated or the wage garnishment order has been lifted.
Can existing consolidation loans be consolidated?	An existing federal consolidation loan can be consolidated without including an additional eligible loan if the following criteria are met. • The borrower is consolidating a delinquent federal consolidation loan that the lender has submitted to a guaranty agency for default aversion, or is consolidating a defaulted federal consolidation loan and agrees to repay the new Direct Consolidation Loan under an income-driven repayment plan. • The borrower is consolidating a federal consolidation loan to use the Public Service Loan Forgiveness program. • The borrower is consolidating a federal consolidation loan to use the no accrual of interest benefit for active duty servicemembers. Although borrowers may consolidate a single Federal Consolidation Loan without including any additional loans under certain circumstances (as explained previously), an existing Direct Consolidation Loan may be consolidated only if at least 1 additional eligible loan is included in the consolidation.
Are there any special conditions for borrowers who consolidate while in repayment?	Borrowers in repayment who want to consolidate their federal education loans should continue making payments until their loan holders notify them that their loans are paid in full.
Can borrowers consolidate jointly with their spouse?	No, married couples may not consolidate their individual federal education loans into a single Direct Consolidation Loan as joint borrowers.

Consolidation Repayment

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>When does repayment begin?</td><td>Direct Consolidation Loans enter repayment status immediately. Borrowers should receive their first bills within 60 days of the loan's disbursement date.</td></tr>
<tr><td>What repayment plans are available for Direct Consolidation Loans?</td><td>A variety of repayment options are available to borrowers, depending on their individual financial needs.

Standard Repayment Plan: Borrowers pay a fixed amount each month until their loans are paid in full. Their monthly payments are at least $50 for up to 10 to 30 years, based on their total education indebtedness.
Graduated Repayment Plan: Borrowers' monthly payment amount must at least be equal to the amount of interest that accrues each month. Their payments start out low and then gradually increase over time for up to 10 to 30 years, based on their total education indebtedness.
Extended Repayment Plan: To be eligible, borrowers must have had no outstanding balance on a Direct Loan on 10/07/1998 or on the date they obtained a Direct Loan after that date, and their current outstanding Direct Loan balance must be greater than $30,000. Under this plan, they have up to 25 years to repay their loans. The following payment options are available.

Fixed Monthly Payment Option: Borrowers pay a fixed amount each month until their loans are paid in full. Their monthly payments are at least $50.
Graduated Monthly Payment Option: Borrowers' minimum payment amount must be at least equal to the amount of interest that accrues each month, and no single payment will be more than three times greater than any other payment. Their payments start out low and then gradually increase over time.

Income-Contingent Repayment (ICR) Plan: Borrowers' monthly payments are based on their annual income, Direct Loan balance, and family size and are spread over a term of up to 25 years.
Income-Based Repayment (IBR) Plan: Borrowers' monthly payments are based on their annual income and family size and are spread over a term of up to 25 years (20 years if they are a new borrower). Borrowers must be experiencing partial financial hardship to initially select IBR and to continue making income-based payments under this plan.
Pay As You Earn (PAYE): Borrowers' monthly payments are generally 10% of their discretionary income but never more than the 10-year Standard repayment plan amount. Under this plan, borrowers have up to 20 years to repay their loans.
Revised Pay As You Earn (REPAYE): Borrowers' monthly payments are generally 10% of their discretionary income. Under this plan, borrowers are not required to demonstrate partial financial hardship. If all loans borrowers are repaying under this plan were received for undergraduate study, they have 20 years to repay their loans. If any loans borrowers are repaying under this plan were received for grad. If borrowers consolidate more than 1 loan type (subsidized, unsubsidized, and PLUS), they'll have 1 Direct Consolidation Loan with up to 2 parts: Direct Subsidized and Direct Unsubsidized (which includes PLUS) Consolidation Loans. Even with up to 2 parts of each Direct Consolidation Loan, borrowers make only 1 payment each month.

If borrowers have not chosen a repayment plan and are not required to pay under an income-driven repayment plan, and it is determined they currently have other Direct Loans, the new Direct Consolidation Loans may be assigned to the same repayment plan as borrowers' active loans. If they do not currently have Direct Loans, the new Direct Consolidation Loans may be assigned to the Standard repayment plan. Borrowers can change at a later date to other plans for which they may be eligible. Borrowers who are required to repay their Direct Consolidation Loan under an income-driven repayment plan are required to make 3 consecutive, on-time payments before switching plans.

If at any time borrowers are unable to make the payments, they may request a deferment to temporarily suspend their monthly loan payments or a temporary forbearance to postpone payments.

Note: Borrowers must meet individual repayment plan qualifications to be eligible. Borrowers are encouraged to view the details and eligibility requirements for each plan before applying.</td></tr>
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Question	Answer
Can borrowers change their repayment plans?	Yes. Most borrowers may change repayment plans at any time. However, borrowers who are required to repay under an income-driven repayment plan must make 3 consecutive monthly payments before changing to another plan. There is no limit to the number of times borrowers may change plans. • Borrowers may change to ICR at any time. After the change, their repayment period is a maximum of 25 years. If loans are not fully repaid after 25 years of repayment, any unpaid amount is forgiven. The maximum 25-year repayment period may include prior periods of repayment under certain other repayment plans and certain periods of economic hardship deferment. The forgiven amount may be considered taxable income. **Note:** ICR is NOT available for repayment of Direct PLUS Consolidation Loans, Direct Parent PLUS Loans, or Direct Consolidation Loans that repaid Parent PLUS Loans made before 07/01/2006. • Borrowers may change to IBR at any time. After the change, their repayment period is a maximum of 25 years. If loans are not fully repaid after 25 years of repayment, any unpaid amount is forgiven. The maximum 25-year repayment period may include prior periods of repayment under certain other repayment plans and certain periods of economic hardship deferment. The forgiven amount may be considered taxable income. If a borrower chooses to leave IBR, their account is placed on the Standard repayment plan. They may then change to another plan after making 1 payment under the Standard repayment plan. Borrowers may change to another plan as long as the new plan has a repayment term that is longer than the amount of time they have already spent in repayment. The new repayment term is determined by subtracting the amount of time borrowers have spent in repayment from the term allowed under the new plan.
What is an income-driven repayment plan?	An income-driven repayment plan is a type of repayment plan for federal student loans that can help make the borrower's monthly payments more affordable by basing them on their income and family size, instead of on how much the borrower owes. There are four income-driven repayment plans: • Revised Pay As You Earn Repayment Plan (REPAYE PLAN) • Pay As You Earn Repayment Plan (PAYE Plan) • Income-Based Repayment Plan (IBR Plan) • Income-Contingent Repayment Plan (ICR Plan) The REPAYE Plan, PAYE Plan, and ICR Plan are available only to borrowers with a loan made under the Direct Loan Program. The IBR Plan is available to borrowers with loans made under the Direct Loan Program or the FFEL Program. **Note:** These plans have different terms and conditions, and not all borrowers or all loan types qualify for all of the income-driven plans.
How are monthly payment amounts calculated under ICR?	The ICR Plan is designed to keep payments affordable. Generally, borrowers pay the lesser of: • The amount a borrower would pay with a 12-year repayment period, multiplied by a percentage that is based on their income. This is called an income percentage factor. -or- • 20% of their discretionary income (the difference between their adjusted gross income (AGI) and 100 percent of the U.S. Department of Health and Human Services (HHS) Poverty Guideline amount for their family size and state). Borrowers whose calculated monthly payment is greater than $0, but less than $5 are required to make a $5 monthly payment. Other borrowers must pay the calculated monthly payment.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>How are monthly payment amounts calculated under ICR?

(continued)</td><td>Note: If a borrower is married and files their federal income taxes jointly with their spouse, both the borrower’s AGI and their spouse’s AGI are used to calculate their monthly payment. However, only the borrower's income will be used to calculate their monthly payment amount if they are separated from their spouse or are unable to reasonably access their spouse's income. If the borrower and their spouse file taxes separately, only the borrower’s AGI is used to calculate the monthly payment. If the borrower's spouse also has eligible Direct Loans, the borrowers may choose to repay their loans jointly under the ICR Plan. If the borrower chooses to repay their Direct Loans jointly with their spouse under the ICR Plan, their servicer will calculate a separate ICR payment for each of them that is proportionate to their individual share of their combined Direct Loan debt.</td></tr>
<tr><td>How are monthly payment amounts calculated under IBR?</td><td>Under this plan, borrowers’ required monthly payments during periods when they have partial financial hardship are generally 15% (10% if they are a new borrower on or after 07/01/2014) of their annual discretionary income, divided by 12. Discretionary income for this plan is the difference between their adjusted gross income and 150% of the Health and Human Services (HHS) poverty guideline amount for their state of residence and family size. In addition:

If the calculated payment is less than $5.00, the required monthly payment is $0.00.
If the calculated payment is equal to or greater than $5.00, but less than $10.00, the required monthly payment is $10.00.
If the borrower and their spouse file separate federal income tax returns, their loan servicer will use only the borrower's income when determining whether they qualify for the IBR Plan, and when calculating their monthly payment amount.
Only the borrower's eligible student loan debt will be used when determining their eligibility for the plan, and there will be no adjustment to their payment amount if their spouse also has eligible loans.
If the borrower and their spouse file a joint federal income tax return, their loan servicer will use the borrower's joint income when determining their eligibility for the IBR Plan, and when calculating their payment amount.
The borrower's servicer will use a combined eligible student loan debt when determining their eligibility for the IBR Plan and will automatically adjust their payment amount proportionately, based on each spouse's share of the total loan debt.
Only the borrower's individual income will be used to calculate their monthly payment amount if the borrower is separated from their spouse or is unable to reasonably access their spouse's income.

If borrowers no longer have partial financial hardship, their monthly payment amount is adjusted and is no longer based on their income. Their adjusted payment amount will not exceed the amount required to pay their loan in full under a 10-year Standard repayment plan based on the amount of their eligible loans that were outstanding at the time they began repayment under IBR (minimum of $50.00). The repayment period based on this recalculated payment amount may be more than 10 years.</td></tr>
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Question	Answer
How are monthly payment amounts calculated under PAYE?	Under the PAYE plan, the borrowers' required monthly payments during periods when they have partial financial hardship are a percentage of their discretionary income. (The borrower's discretionary income is the difference between their adjusted gross income (AGI) and 150% of the HHS poverty guideline amount for their family size and state). Under the PAYE Plan, the borrower's required monthly payment is 10% of their discretionary income during any period they qualify to make payments based on income. To qualify for the PAYE plan, borrowers must have borrowed their first federal student loan on or after 10/01/2007, need to have received a disbursement of a Direct Loan or Direct Consolidation Loan on or after 10/01/2011, and must be able to demonstrate partial financial hardship. If the borrower and their spouse file separate federal income tax returns, their loan servicer will use only the borrower's income when determining whether they qualify for the PAYE plan, and when calculating their monthly payment amount. • Only the borrower's eligible student loan debt will be used when determining their eligibility for the plan, and there will be no adjustment to their payment amount if their spouse also has eligible loans. • If the borrower and their spouse file a joint federal income tax return, their loan servicer will use the borrower's joint income when determining their eligibility for the PAYE plan, and when calculating their payment amount. • The borrower's servicer will use a combined eligible student loan debt when determining their eligibility for the PAYE Plan and will automatically adjust their payment amount proportionately, based on each spouse's share of the total loan debt. • Only the borrower's individual income will be used to calculate their monthly payment amount if the borrower is separated from their spouse or is unable to reasonably access their spouse's income.
How are monthly payments calculated under REPAYE?	The REPAYE plan is an income-driven repayment plan available to some borrowers where their monthly payment amount is always based on their income and family size. Depending on the borrower's income, their monthly payment amount under the REPAYE plan may be higher than what they would be required to pay under the 10-year Standard plan. The borrower's monthly payment is generally 10% of their discretionary income. (The borrower's discretionary income is the difference between their AGI and 150% of the HHS poverty guideline amount for their family size and state). To qualify for the REPAYE plan, borrowers must have Direct Loans; they do not need to demonstrate partial financial hardship. **Note:** The loan servicer will generally use both the borrower's income and their spouse's income to calculate the borrower's monthly payment amount, regardless of whether they file a jointly federal income tax return or separate federal income tax returns. However, only the borrower's individual income will be used to calculate their monthly payment amount if they are separated from their spouse or are unable to reasonably access their spouse's income.
What is alternative documentation of income?	Monthly payments under income-driven repayment plans are generally based on a borrowers' most recent Adjusted Gross Income (AGI) as shown on their federal income tax return and other factors. If a borrower's AGI is unavailable or does not accurately reflect their current income, their monthly payment amount may be determined based on the alternative documentation of income (ADOI) they provide, such as pay stubs, a letter from an employer, or self-employment.
How long does it take to repay Direct Consolidation Loans?	Consolidation could increase the time borrowers have to repay their student loans from 10 years to up to 30 years. Repayment terms depend on total education debt at the time of consolidation.
How are interest rates calculated?	The interest rate on a Direct Consolidation Loan is a weighted average of the interest rates on the underlying loans included in the consolidation, rounded up to the nearest 1/8 of one percent.
How much are the monthly payments?	Monthly payment amounts depend on the repayment plan chosen. Consolidating student loans typically lowers the monthly payment amount since borrowers have more time (i.e., a longer term) in which to pay off their loans.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>How do borrowers make payments?</td><td>Borrowers are sent monthly billing statements from their federal loan servicers, unless they enroll in Auto Pay.

Note: Borrowers receive a 0.25% discount on their interest rate for as long as they continue to make payments with Auto Pay.

Borrowers must keep their federal loan servicers informed of address changes and name changes, and they are responsible for making payments on time regardless of whether they receive billing statements.

Borrowers should send payments to the following address, making sure to make checks payable to Great Lakes.

Department of Education
Great Lakes
PO Box 790321
St. Louis, MO 63179-0321</td></tr>
<tr><td>Can borrowers prepay on their loans?</td><td>Borrowers may prepay all or part of the unpaid balance on any Direct Consolidation Loan at any time, without an early repayment penalty.

Note: If a borrower makes a payment that exceeds the required monthly payment, the prepayment is applied first to any charges or collection costs, then to outstanding interest, and last to principal. However, if a borrower's account has no outstanding interest, the prepayment is applied entirely to principal. If the prepayment is twice the borrower's monthly payment, the next payment due date is advanced, unless the borrower specifies otherwise. The borrower will be notified of a revised due date.</td></tr>
<tr><td>What are the consequences of default?</td><td>Borrowers who fail to make a payment on time are considered delinquent on their Direct Consolidation Loans. Borrowers who do not make payments for 270 days are in default. Defaulting has severe and long-lasting consequences, including the following.

• The U.S. Department of Education (ED) can immediately demand repayment of the total loan amount due.
• ED attempts to collect the debt and may charge collection costs.
• ED reports defaulted loans to national credit bureaus, damaging borrowers’ credit ratings and making it difficult for borrowers to make purchases such as cars or homes.
• Borrowers with loans in default are ineligible for Title IV student aid.
• Borrowers with loans in default are ineligible for deferments.
• The Internal Revenue Service can withhold borrowers’ federal income tax refunds.
• Borrowers' wages may be garnished.

It’s important that borrowers with Direct Consolidation Loans stay in touch with their federal loan servicers. Default can occur when borrowers fail to keep their federal loan servicers up to date on address and name changes, causing billing statements to go astray. In addition, their federal loan servicers can offer alternatives when borrowers have trouble making monthly payments. Borrowers may apply for a deferment or forbearance or change repayment plans.</td></tr>
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