

Total Indebtedness Overview



Borrowers are permitted to list education loans not eligible or not desired to be consolidated on their application for consideration as part of their total education debt for the purposes of determining the repayment term length of Standard or Graduated repayment plans.

The total amount of education debt not being consolidated cannot be more than the total amount of debt being consolidated.

For example, if a borrower is consolidating \$15,000 in federal loans but has \$35,000 in other education debt that is either not eligible or not being requested for consolidation, the amount of the \$35,000 in other education debt that can be considered in the total education debt is limited to \$15,000 for a TOTAL education debt of \$30,000.

Loan holders are required to respond with all of the borrower's loans on the Loan Verification Certificate (LVC), even loans that are ineligible for consolidation, so they can be included in the borrower's total education debt.

Examples

Sample Loan Totals

Loan	Amount
Loan A	\$2,500
Loan B	\$6,000
Loan C	\$2,500
Loan D	\$7,500
Loan E	\$7,500
Loan F	\$13,000
Total Outstanding Amount	\$39,000

Note: The following examples assume the borrower reported all outstanding education loans on their consolidation application.

Example	Loans Consolidated	Direct Consolidation Loan Amount	Other Eligible Education Loans	Total Education Indebtedness	Direct Consolidation Loan Repayment Term (approx.)
1	A, B	\$8,500	\$30,500	\$17,000	15 Years
2	A, B, C, D, E	\$26,000	\$13,000	\$39,000	20 Years
3	A, B	\$8,500	\$0	\$8,500	12 Years

In Example 1, two of the six eligible outstanding loans were consolidated. As a result, your repayment term is based on your Direct Consolidation Loan amount plus other eligible indebtedness, but only up to the amount of the new Direct Consolidation Loan.

$$\begin{array}{r} \text{Direct Consolidation Loan} \\ (\$8,500) \end{array} + \begin{array}{r} \text{Other Eligible Education Loan Allowance} \\ (\$8,500) \end{array} = \begin{array}{r} \text{Total Indebtedness} \\ (\$17,000) \end{array}$$

In Example 2, you consolidated five of your six eligible outstanding loans so the calculation of total education indebtedness includes the full amount of your remaining other eligible education loan because that amount is less than the amount of your Direct Consolidation Loan. The result is a longer repayment term than in Example 1.

$$\begin{array}{rcl} \text{Direct Consolidation Loan} & + & \text{Other Eligible Education Loan Allowance} & = & \text{Total Indebtedness} \\ (\$26,000) & & (\$13,000) & & (\$39,000) \end{array}$$

Example 3 illustrates the impact on the repayment term if the borrower did not report all of their outstanding education loans on the Direct Consolidation Loan application. Their repayment plan term is shorter than in Example 1.

The monthly payment will be lower with a longer repayment term. However, the total interest paid during repayment will be higher. Only the borrower can decide what plan is best for them. They can change plans later if their current plan no longer suits their needs.

Maximum Repayment Period

The following table shows how loan balances impact the repayment period.

Total Education Loan Indebtedness		
At Least	Less Than	Repayment Period
\$0	\$7,500	10 years
\$7,500	\$10,000	12 years
\$10,000	\$20,000	15 years
\$20,000	\$40,000	20 years
\$40,000	\$60,000	25 years
\$60,000		30 years