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## Answers to commonly asked questions:

### 1. What is a Federal Consolidation loan?

A Federal Consolidation loan is one of several loans in the Federal Family Education Loan (FFEL) program. This loan offers eligible borrowers the opportunity to consolidate all or some of their outstanding educational loans into a single new loan, even if present student loans are held by more than one lender and are of different types.

### 2. Which loans can I consolidate?

- FFEL Subsidized Federal Stafford Loans
- Direct Subsidized Stafford Loans
- FFEL Unsubsidized and Nonsubsidized Federal Stafford Loans
- Direct Unsubsidized Stafford Loans
- Federal Supplemental Loans for Students
- Federal Perkins Loans, formerly National Defense/National Direct Student Loans (NDSL)
- Health Professions Student Loans, including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)\*
- Federal Insured Student Loans (FISL)
- Federal PLUS (Parent) Loans (note that you may not consolidate your **parent's** PLUS loan with your own)
- Direct PLUS Loans
- Subsidized Federal Consolidation Loans
- Direct Subsidized Consolidation Loans
- Unsubsidized Federal Consolidation Loans
- Direct Unsubsidized Consolidation Loans, including Direct PLUS Consolidation Loans
- Federal Nursing Loans

\* Some lenders do not consolidate HEAL loans. Contact your lender for more information.

### 3. Am I eligible for loan consolidation?

You must be in your **grace period** or have entered **repayment** on the loans chosen for consolidation. Please note PLUS loans must be fully disbursed. **If you are in repayment, you must continue to make monthly payments to your current loan holder(s) until these loans have been paid in full by the consolidating lender. If you are unable to make your payments during this process, please contact your loan holders for alternative arrangements.**

### 4. Can my delinquent or defaulted loans be consolidated?

You *may* be eligible to consolidate your delinquent loans. Great Lakes will not consolidate any loans that are defaulted.

**5. Can I apply for a Federal Consolidation loan with more than one lender at the same time and wait to see who responds first?**

No. Federal regulations prohibit you from applying for a Federal Consolidation loan with more than one lender at a time. Please note that if your FFEL program loans are held by only one lender and this lender offers consolidation loans, you must request a consolidation loan from that lender. If multiple lenders hold your FFEL program loans, you may apply for a Federal Consolidation loan with a consolidation lender of your choice.

**6. What will be my interest rate?**

The Federal Consolidation loan interest rate is determined when the loan is originated. With the exception of any outstanding balance representing a HEAL loan, the Federal Consolidation loan interest rate is a fixed rate equal to the weighted average of the interest rates of the loans being consolidated rounded up to the nearest 1/8<sup>th</sup> of 1% but not exceeding 8.25%. The interest rate on the portion of a Federal Consolidation loan representing a HEAL loan is a variable rate that is adjusted annually on July 1. This rate is set at 3 percent over the bond-equivalent rate for the three-month Treasury bills auctioned during the three months ending June 30.

**7. Are there fees that I must pay to receive a Federal Consolidation loan?**

No, you will not be charged a fee to receive a Federal Consolidation loan.

**8. What “other education loans” may I include when determining my repayment period?**

“Other education loans” are those made by an organization under a public or private student loan program exclusively for the purposes of financing the borrower’s post-secondary education. These loans are often referred to as “alternative” loans. For the purposes of determining the borrower’s repayment terms, the sum of the “other education loans” may not exceed the amount of the Federal Consolidation loan and may not include any non-Title IV education loans currently in default.

**9. How long do I have to repay my Federal Consolidation loan?**

The length of your repayment period is dependent upon your total student loan debt. This amount is the total of those loans you choose for consolidation plus “other education loans” you owe, but will not be included in your consolidation loan. The repayment periods are as follows:

**Maximum Repayment Periods for Federal Consolidation Loans**

<b>Sum of Consolidation Loan Balance Plus Balance of Other Educational Loan(s)</b>	<b>Maximum Repayment Period*</b>
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000	20 years*
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

\* **Extended Repayment** – If your student loan debt is in excess of \$30,000, this option allows your maximum repayment period to be extended to 25 years. You still have the option of the Level or either of the Graduated Income Sensitive Payment Plans. If you are interested in this repayment period extension, you can contact your servicer when you receive your consolidation repayment schedule.

## 10. What are my repayment options?

Your lender offers a choice of repayment plans including a level payment plan and two different graduated income sensitive payment plans. Specific details regarding the repayment plans offered by your lender are detailed below. You will be asked to specify the repayment plan that best fits your needs on the Federal Consolidation Loan Application and Promissory Note.

If you do not notify your lender of your choice of repayment plans, your lender will establish a level repayment schedule.

- **Level Payment Plan** – this option provides equal monthly payments over the maximum repayment period allowed.
- **Graduated Income Sensitive Payment Plan B** – This option allows for interest-only payments for the first one-third of the repayment period. The remaining two-thirds of the repayment period, you pay level monthly payments.
- **Graduated Income Sensitive Payment Plan C** – This option allows for interest-only payments for the first quarter of the repayment period. The second quarter, you pay level monthly payments on the balance, which are calculated using the original maximum repayment period allowed. For the last half of the repayment period, you pay level monthly payments, which are recalculated using the remainder of the original maximum repayment period allowed.

You may calculate your approximate monthly payment under each plan using the Consolidation Calculator on Great Lakes' website, [www.mygreatlakes.com](http://www.mygreatlakes.com).

Please note: There is no prepayment penalty on the Federal Consolidation loan.

## 11. How will I know the exact principal amount of my Federal Consolidation loan and the monthly payment amount due?

After your Federal Consolidation loan has been disbursed, Great Lakes will provide you with a Payment Schedule and Disclosures form. This document will disclose the total amount of your Federal Consolidation loan, the interest rate, estimated costs, and the repayment schedule you will follow.

## 12. What deferments are available on a Federal Consolidation loan?

A Federal Consolidation loan borrower may defer payment of principal and interest during certain periods. Deferment options available to the borrower depend on two factors: when the borrower's Federal Consolidation loan was made and whether after the consolidation the borrower still has an outstanding principal or interest balance on a FFELP loan before July 1, 1993. Generally, deferments are authorized for the following situations:

At least half-time enrollment at an eligible institution of higher education	No time limit
Graduate fellowship/rehabilitation training program	No time limit
If you are conscientiously seeking but unable to find full-time employment in the United States	Up to 36 months
Economic hardship	Up to 36 months

If you are not eligible for a deferment, you may be able to temporarily suspend your payments by applying for a forbearance. Contact Great Lakes Educational Loan Services, Inc. (Great Lakes) Borrower Services Department at **1-800-236-4300** for more information on deferment or forbearance.

Please note: If your loan(s) was in a deferment or forbearance at the time of the consolidation, you will need to reapply for the deferment or forbearance for your new consolidation loan. Your consolidation loan will be in repayment effective the day of the disbursement.

### 13. May I add to my Federal Consolidation loan once it's been made?

Yes, you may add any eligible loan(s) to your outstanding consolidation loan, provided you make the request within 180 days of the date the consolidation loan is made. You may also be eligible for a subsequent consolidation loan if you wish to consolidate your existing consolidation loan with at least one other eligible loan.

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## Consolidation Procedure

If you decide that you would like to apply for a Federal Consolidation loan:

- Complete the enclosed Federal Consolidation Loan Application and Promissory Note. If you know what lender you would like to consolidate with, please indicate the lender's name in section A, box 10. If you do not designate a lender, we will assign one for you.
- Mail it in the enclosed pre-addressed envelope  
or
- If you downloaded the application, mail it to:

Great Lakes Educational Loan Services, Inc.  
P.O. Box 8956  
Madison, WI 53708-8956

Please note: We can only process applications with original signatures. **An application with a faxed or photocopied signature cannot be processed.**

Note: Typically, an application for a Federal Consolidation loan is processed and approved in 30-60 days. **Please keep in mind that you should continue to make payments on any loans that are not in deferment or forbearance during your application process.**

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## Questions?

For more information on the Federal Consolidation loan and to calculate your approximate monthly payments using each Repayment Option, visit our website at [www.mygreatlakes.com](http://www.mygreatlakes.com).

Or you may contact the Great Lakes Consolidation Department toll free at 800-236-6600 (option 1), 8 a.m. – 4:30 p.m. Central Time to speak to a consolidation representative.