

## Special Direct Consolidation Loan Information – Short-Term Consolidation Opportunity Offered from January – June 30, 2012

On October 25, 2011, the Obama Administration announced several steps it is taking to increase college affordability by making it easier to manage student loan debt. Key initiatives include a “Pay As You Earn” repayment plan and a short-term consolidation opportunity that will be offered through the Department of Education (the Department) from January – June 30, 2012. The press release and an accompanying fact sheet are available at <http://www.whitehouse.gov/briefing-room/statements-and-releases>.

Special Direct Consolidation Loans are not the same as traditional consolidation loans offered under the William D. Ford Federal Direct Loan (Direct Loan) Program. Only certain borrowers will be eligible for Special Direct Consolidation Loans, and eligible borrowers will apply through a new and different online process. In addition, Special Direct Consolidation Loans will only be available for a short period of time from January – June 30, 2012.

A Special Direct Consolidation Loans page is posted under Student Aid on the Web site [www.studentaid.ed.gov](http://www.studentaid.ed.gov) and can easily be accessed from a link under “Announcements” on the right side of the home page. The direct page URL is:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/specialconsolidation.jsp>.

### **Getting Started – Special Direct Consolidation Loan High-Level Summary**

Through four basic questions, a high-level summary will be presented about the process, borrower eligibility, loan eligibility, and benefits associated with Special Direct Consolidation Loans that will be available from January – June 30, 2012. This summary information is further supplemented by the information available on [Special Direct Consolidation Loans web page](#).

### **How will the Special Direct Consolidation Loan Process work?**

- Special Direct Consolidation Loans *are not the same as* traditional consolidation loans that borrowers can apply for today.
- Only certain borrowers will be eligible for Special Direct Consolidation Loans.

- Eligible borrowers will be contacted by one of four federal loan servicers starting in January 2012. Given the number of eligible borrowers, these contacts will occur over several weeks.
- The servicers that will contact eligible borrowers are FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae.
- The servicers will provide eligible borrowers with application instructions.
- After receiving application instructions from a servicer, eligible borrowers will apply through a new and different online process.
- Borrowers who may be eligible *must not apply* through the traditional Direct Consolidation Loan Web site (<http://loanconsolidation.ed.gov>).

#### **What loans must a borrower have to be eligible for a Special Direct Consolidation Loan?**

- At least one ED-held Direct Loan or ED-held FFEL loan and one commercially-held FFEL loan.

#### **What loans are eligible for Special Direct Consolidation?**

- *Only commercially-held FFEL loans* (subsidized, unsubsidized, PLUS, and consolidation).
- Commercially-held FFEL loans *must be* in grace, repayment, deferment, or forbearance.
- Commercially-held FFEL loans *can be* defaulted loans that have been rehabilitated.
- Commercially-held FFEL loans *cannot be* in default or subject to a bankruptcy proceeding.

#### **What will a borrower gain by obtaining a Special Direct Consolidation Loan?**

- One servicer and one payment, as opposed to one or more servicers with multiple bills and varying repayment requirements.
- For commercially-held FFEL loans that will be consolidated, a 0.25 percent reduction from each loan's existing interest rate at the time of consolidation, plus the opportunity to receive an additional 0.25 percent interest rate reduction if automatic debit is chosen for repayment.

- For commercially-held FFEL loans with a variable interest rate at the time of consolidation, the conversion to a fixed interest rate at the lower percentage that will not change over time.
- No loss to previous time in repayment; it will count towards the repayment term for the new loan.
- No loss to previous Income-Based Repayment (IBR) payments; they will count towards the required repayment time for cancellation if the borrower remains in IBR.
- The commercially-held FFEL loans that will be consolidated will be eligible for discharge under the Public Service Loan Forgiveness Program.