HAMPDEN-SYDNEY COLLEGE

HAMPDEN-SYDNEY, VIRGINIA

Loan Consolidation

A Direct Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple monthly payments.

Make sure to carefully consider whether loan consolidation is the best option for you. While loan consolidation can simplify loan repayment and lower your monthly payment, it also can significantly increase the total cost of repaying your loans. Consolidation offers lower monthly payments by giving you up to 30 years to repay your loans. But, if you increase the length of your repayment period, you'll also make more payments and pay more in interest than you would otherwise. In fact, in some situations, consolidation can double your total interest expense. If you don't need monthly payment relief, you should compare the cost of repaying your unconsolidated loans against the cost of repaying a consolidation loan.

You also should take into account the impact of losing any borrower benefits offered under repayment plans for the original loans. Borrower benefits from your original loan, which may include interest rate discounts, principal rebates, or some loan cancellation benefits, can significantly reduce the cost of repaying your loans. You may lose those benefits if you consolidate.

Once your loans are combined into a Direct Consolidation Loan, they cannot be removed. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study the pros and cons of consolidation before you submit your application.

For additional information, you can view the **Consolidation Checklist** on the next page.

What kinds of loans can be consolidated?

Most federal student loans are eligible for consolidation, including subsidized and unsubsidized Direct and FFEL Stafford Loans, Direct and FFEL PLUS Loans, Supplemental Loans for Students (SLS), Federal Perkins Loans, Federal Nursing Loans, Health Education Assistance Loans, and some existing consolidation loans. Private education loans are not eligible for consolidation. If you are in default, you must meet certain requirements before you can consolidate your loans.

Note: A PLUS Loan made to the parent of a dependent student cannot be transferred to the student through consolidation. Therefore, a student who is applying for loan consolidation cannot include the PLUS loan the parent took out for the dependent student's education.

For a complete list of the federal student loans that can be consolidated, contact the Direct Consolidation Loans Information Center toll free at 1-800-557-7392 or visitwww.loanconsolidation.ed.gov. TTY users may call 1-800-557-7395.

Consolidation Checklist

If you are considering consolidating your loans, review the steps below to see whether this is the best option for you.

Step 1: Take an Inventory of Your Current Student Loans
Review your loan documents or contact your lender or loan servicer. If you are uncertain of your current lenders or loan servicers, you can find them by going to www.nslds.ed.gov.

Step 2: Determine Your Monthly Payment Amount
You can find out your payment amounts by calling your lender or loan servicer, or by checking your account if you are already in repayment.

Step 3: Evaluate Your Monthly Payment Against Your Budget

- Review your monthly income and determine how much of your income can be used to repay your student loans. This amount should be based on a realistic review of your personal budget and your necessary expenses.

- Compare the amount of your income you have set aside for student loan repayment against the monthly payment amount in Step 2.

- If your monthly budgeted amount is less than the monthly payment in Step 2:
    - Reevaluate your budget and income situation.
    - Consider your repayment plan options, such as the Income Based Repayment plan, which may result in lower monthly payments (see Repayment Options).
    - Consider deferment or forbearance for short-term payment relief needs.
    - If debt relief needs are long-term, consider consolidation.

Step 4: Consider Consolidation
- Decide which loans you would like to consolidate.

- Determine monthly payment and total interest costs for the Consolidation Loan and compare to cost of repaying loans without consolidation.
    - Use our online calculator or call the Direct Consolidation Loans Information Center at 1-800-557-7392 to estimate your weighted average interest rate and to see what your loan payments might be under the available repayment plans.

- Consider the impact of consolidation on future deferment options, cancellation options, and other borrower benefits such as interest rate discounts or principal rebates. You might lose some cancellation (discharge) benefits or deferment benefits if you include certain types of loans (such as Federal Perkins Loans) in your Consolidation Loan. To learn more about how consolidation might impact your deferment and cancellation benefits, contact your servicer.

- If you decide consolidation is right for you, contact the Direct Loan Consolidation Information Center to begin the consolidation process. You also may read about applying for a consolidation loan on the loan consolidation page.

- If you are already in repayment, be sure to continue making payments on your loans until consolidation is completed.

- If you have questions about consolidation, go to www.loanconsolidation.ed.gov or call 1-800-557-7392 (TDD/TTY: 1-800-557-7395).