Consolidation Primer
Consolidation as Part of Your Repayment Strategy
Class of 2015 Dental School Graduates

You may be considering consolidation as part of your overall repayment strategy as you graduate and transition into your dental career or begin advanced training following graduation. Consolidation is a process where you pay off multiple loans with one new loan. There are advantages and disadvantages to consolidation, and while it is an effective debt management tool for some dental school graduates, it is not appropriate for everyone. We anticipate that many dental school graduates in the Class of 2015 will not need to consolidate their student loans.

Potential Advantages

- Convenience: One loan, one loan servicer, one payment, one place to file forms
- Converts former non-direct loans into direct loans:
  - Only direct loans (Stafford, Grad PLUS, and federal consolidation loans borrowed through the federal government’s direct loan program) are eligible for Public Service Loan Forgiveness (PSLF).
  - You will need to consolidate any non-direct loans into a direct consolidation loan to help maximize your potential eligibility for PSLF (assuming other PSLF eligibility criteria are met; see www.StudentLoans.gov, Managing Repayment, for details on PSLF).
- Repayment term may be extended to 30 years, which lowers monthly payments but adds to the total repayment costs if the loan held to term (that is, you take the full 30 years to repay).

Potential Disadvantages

- Partially negates an aggressive repayment strategy:
  - Voluntary or additional payments cannot be targeted against higher interest rate loans, such as Grad PLUS, because you only have one loan at one rate.
  - You can still pay early, you are just not getting the best “bang for your buck.”
  - This is a significant reason to consider not consolidating your student loans.
- Process can be lengthy and cumbersome (may take 60 to 90 days).
- Slightly higher interest rate. The Interest rate on consolidation loans is a “weighted” rate of all loans being consolidated, rounded up an eighth of a percent (.125%) then fixed for the life of loan.
- Loss of grace periods on loans you are consolidating, if you consolidate too early.
- Loss of interest subsidy on Perkins and Health Professions Student Loans if they are included in consolidation (the balances on these loans is “converted” to unsubsidized status upon consolidation).
Important Steps to Consolidation and Helpful Hints

1. New web portal for consolidation is www.StudentLoans.gov (see PIN section).
2. Once you log in, the consolidation application should be pre-populated with your National Student Loan Data System (NSLDS) record at www.NSLDS.ed.gov.
3. Important to remain in “good standing” on loans during the consolidation process.
   - Pay loans when they come due or postpone until they are paid through consolidation.
   - Start consolidation early enough to allow time for consolidation to go through before the loans you are consolidating come due.
4. You may now select a loan servicer to process your direct consolidation loan application and service it.
   - Borrowers may choose between FedLoan Servicing, Great Lakes, Navient (formerly Sallie Mae) and NelNet.
   - Borrowers interested in PSLF) may want to select FedLoan Servicing (they are the designated PSLF servicer).
5. In general, you do not forfeit deferment and forbearance options when you consolidate.
6. You will be able to confirm whether the consolidation is accurate before the loans you are consolidating are paid in full by reviewing the direct consolidation loan summary sheet that will be sent prior to your loans being paid in full.
7. ADEA strongly recommends you document the entire application process.

So, are you a Candidate for Consolidation?
You may be if:
- You have multiple loan servicers and would like the convenience of having one loan and one loan servicer, and/or
- You have some non-direct loans and are interested in PSLF and want to ensure you maximize your potential forgiveness amount under PSLF. In other words, you want to be sure it applies to your entire balance, not just to some of your loans. Remember, only direct loans qualify for PSLF, assuming other requirements are met.

You may not be if:
- You already have one loan servicer and
- You are not interested in PSLF, or you are, but all your loans are already direct loans.

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