



# EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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## Consolidate Your Loans, Part 1

The quickest, easiest way to get out of default is to consolidate your loans. Federal loan consolidation is not available for private, or so-called alternative loans, only for federal loans. There are two federal loan consolidation programs: FFEL consolidation and direct consolidation loans.

Under the consolidation process, your existing loans are paid off and a new loan takes its place. Millions of people consolidate their loans every year, and many of them do it simply to avoid the hassle writing multiple checks each month to a variety of lenders. Loan consolidation is convenient because all your loans get rolled up into one new, big loan and then you pay off that single debt.

As you might expect, though, consolidation has its price. Sure you might drop your payment from \$700 a month to \$250 a month through loan consolidation, but the catch is you'll wind up paying a lot more money in interest charges, and it'll take you far longer to get rid of your student loan debts. Still, if you need immediate relief this can be a worthwhile option to consider.

To get a loan consolidation after you've been in default, you must first show the government that you're ready, willing, and able to begin making regular payments. Under guidelines issued by the Department of Education, in order to receive an FFEL consolidation loan, you must get your defaulted loan back into repayment status. You can do this in only 90 days. Once you make just three on-time, full monthly payments in an amount that you and your lender agree upon, your defaulted loan is eligible for consolidation.

Under the terms of this program, a commercial lender then pays off your old student loan debt and issues you a new loan, along with a fresh promissory note, new interest rate, and an updated repayment schedule. Depending on how much you owe, the repayment period can be stretched out as much as 30 years.

After you've successfully made those three agreed-upon payments, your credit report is then updated, showing that your old loan has been paid off and now has a zero balance. Beware, however, that the old default notation will still remain on your credit report for seven years, and that doesn't look good to lenders. It's just that the default will be stated as paid in full.