



# EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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## Consolidate Your Loans, Part 2

The only way to get the default completely removed from your credit report is to go through the longer loan rehabilitation process, where you make 9 monthly payments on FFEL and direct loans, or 12 monthly payments on Perkins loans. This, in my opinion, is the preferred route, as it will help you restore your credit in a big way and that past default won't haunt you for years to come.

But what if can't get a loan consolidation with an FFEL consolidation lender? Don't worry. All is not lost. There's still the direct consolidation loan option. Even if you never had any direct loans, you can qualify for a direct consolidation loan if:

- You include at least one FFEL loan in your consolidation loan; and
- You were unable to secure a federal consolidation loan or weren't able to obtain a federal consolidation loan with income-sensitive repayment terms you could afford.

With the direct consolidation loan program, you can consolidate most defaulted FFEL and direct loan program loans, provided that you made "satisfactory repayment arrangements" with your current loan holder(s), which means that you made three payments in whatever amounts you and the lender agreed to, or you agree to repay your new direct consolidation loan under the income contingent repayment plan.

One big drawback to consolidating a defaulted student loan is that you won't just get away with paying the principal and interest on your loan(s). The Department of Education may tack on as much as 18.5 percent on top of what you owed to cover collection costs. Take that into consideration as you weigh this option, because it will certainly add to the length of time and the dollar amount you must fork over in order to pay off a consolidated loan.