

Should I Consolidate or Rehabilitate My Federal Student Loan?

Consolidation	Rehabilitation
Consolidates previous loan(s) into one new loan .	You must rehabilitate each individual loan. After the rehabilitation process is over, you still have the same loan , but it is now current.
Allows you to get out of default quickly without making any preliminary payments.	Requires nine payments in a ten month period to get out of default.
No resale requirement.	For federally guaranteed loans, the rehabilitation process is not complete until the loan is sold or assigned to the government.
No need to negotiate “reasonable and affordable” payments with collectors.	You may have to negotiate “reasonable and affordable” payments with collectors to get out of default. This is much easier for borrowers now that collectors are required to start by using the 15% IBR formula to determine reasonable and affordable payments.
One time deal. With either of these options, you only get <u>1 chance</u> to get out of default.	
Fees of up to 18.5% may be added to the balance.	Fees of up to 16% may be added to the balance.*
Collectors cannot come after you once the consolidation or rehabilitation process is complete, as long as you stay current.	
Allows you to have access to flexible repayment plans which calculate your payment based on your income. If you stay current with your payments, any remaining balance on the loans will be forgiven after a certain period of time (20 or 25 years depending on the program).	
Slightly worse for your credit report because the notation indicating that you were in default and other negative information will remain on your credit report for 7 years.	Slightly better for your credit report because the notation indicating that you were in default will be erased. Other negative information remains for 7 years.
You might lose some legal rights and defenses.	You retain your prior legal rights and defenses.
You can choose your servicer.	No choice of servicer after rehabilitation.

Repayment Calculator - Estimate your monthly payments:

<https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

For more information about student loan consolidation, rehabilitation, and repayment, visit:

<http://www.studentloanborrowerassistance.org>.

* The government currently waives collection fees for Direct Loan rehabilitations.