

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.
No need to negotiate “reasonable and affordable” payments with collectors.	Must negotiate “reasonable and affordable” payments with collectors to get out of default. Collectors may try to pressure you into paying higher amounts than what is “reasonable and affordable”. You will need to show proof of income and expenses to negotiate payment amount.
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% will be added to the balance.	
Lenders cannot come after you once the consolidation or rehabilitation process is complete, as long as you stay current.	
Allows you to have access to income-contingent repayment plan (ICR) and income-based repayment plan (IBR), 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 25 years.	
Slightly worse for your credit report because the notation indicating that you were in default 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.
You might lose some legal rights and defenses.	You retain your prior legal rights and defenses.

Repayment Calculators - Estimate your monthly payments:

- [Income-Based Repayment \(IBR\):](http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp)
<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp>
- [Income-Contingent Repayment \(ICR\):](http://www.direct.ed.gov/RepayCalc/dlentry2.html)
<http://www.direct.ed.gov/RepayCalc/dlentry2.html>
- [Standard, Extended, and Graduated Repayment:](http://www.direct.ed.gov/RepayCalc/dlentry1.html)
<http://www.direct.ed.gov/RepayCalc/dlentry1.html>

For more information about student loan consolidation, rehabilitation, and repayment, visit:
<http://www.studentloanborrowerassistance.org>.