A borrower who already has a consolidation loan with either the FFEL Program or Direct Loan Program is not able to “reconsolidate,” except in the following circumstances:

- If the borrower includes at least one other eligible loan in the new consolidation. The loan added may be another consolidation loan.
  
  Borrowers may have consolidated only some of their loans in previous consolidations. In such cases, adding the non-consolidation loans to a new consolidation loan can be a way around the general prohibition against re-consolidation. Loans eligible to be added to a subsequent consolidation loan include loans made before or after the date the initial Direct Consolidation Loan was made.
  
  For example, Borrower A has four non-consolidation federal loans and one consolidation loan. She can get a new consolidation loan that combines all of these loans. Borrower B has non-consolidation loans that are current and a Direct Consolidation Loan in default. He can get a new consolidation loan that combines all of these loans as long as he agrees to follow the requirements for consolidating a defaulted loan.

- Borrowers may also add loans received prior to the date of a consolidation loan during the 180-day period following the making of the consolidation loan. Any new loans received during this period may also be added to the consolidation loan. After the 180-day period is over, the borrower may no longer add loans to the existing consolidation loan.

There are also a number of ways, described below, for borrowers with FFEL Consolidation Loans to reconsolidate into the Direct Loan Program:

1. **FFEL Consolidation Loans in Default.** FFEL Consolidation Loan borrowers may reconsolidate with Direct Loans if the loan has been submitted to a guaranty agency for default aversion and the borrower wants to consolidate into Direct Loans for the purpose of obtaining an income-contingent repayment (ICR) or income-based repayment (IBR) plan.

2. **Public Service Loan Forgiveness and Military No Interest Accrual Programs.** FFEL Consolidation Loan borrowers may reconsolidate from FFEL Program loans into Direct Loans in order to use the public service forgiveness program or, if they are qualified military servicemembers, to get the Direct Loan Program interest accrual benefit for active duty military service. There is no requirement that borrowers certify that they will be eligible for public service forgiveness. The regulations simply allow reconsolidation for the purposes of using public service loan forgiveness.

3. **Bankruptcy Claim.** Borrowers may also consolidate an FFEL Consolidation Loan into a Direct Consolidation Loan if the FFEL Consolidation Loan is held by a guaranty agency as a result of a bankruptcy claim. This is similar to the situation in which the claim has been submitted for default aversion assistance. However, because the bankruptcy proceeding precludes the submission of a default aversion request, the Department acknowledges that borrowers in this situation should also be allowed to consolidate with the Direct Loan Program.

The Department has clarified that even though borrowers with defaulted Direct Consolidation Loans are no longer eligible to reconsolidate except in the circumstances described above, they may enter into rehabilitation agreements that provide for reasonable and affordable payments.

According to the Department, joint consolidation borrowers with FFEL Program loans cannot reconsolidate with Direct Loans to get into the public service forgiveness program or for any other purpose.

**Footnotes**


63 [63] 34 C.F.R. § 685.220(e).

64 [64] 34 C.F.R. § 685.220(d)(2)(i). See § 3.3 [1], infra.
1.4.1.3.2 Limits on reconsolidation


67 [67] This provision is not explicit in the regulations, but is described in the summary of the final rules. 71 Fed. Reg. 64,378 (Nov. 1, 2006); U.S. Dep’t of Educ., Dear Colleague Letter, GEN-06-20, Update on Consolidation Loan Issues (Dec. 1, 2006).

68 [68] See § 7.3 [5], infra.

69 [69] See, e.g., U.S. Dep’t of Educ., Dear Colleague Letter, FP-09-03, Completion of Loan Verification Certificates (Apr. 3, 2009) (stating that a joint consolidation loan may not be included in a subsequent consolidation loan under any circumstances). See generally § 1.4.1.3.4 [6], infra.

Source URL: https://library.nclc.org/sl/0104010302

Links
[1] https://library.nclc.org/nclc/link/SL.03.03
[2] https://library.nclc.org/nclc/link/SL.02.03.01
[3] https://library.nclc.org/nclc/link/SL.10.10.02
[5] https://library.nclc.org/nclc/link/SL.07.03
[6] https://library.nclc.org/nclc/link/SL.01.04.01.03.04