

Questions & Answers (Q&A)

Permitting Borrowers to Enter Repayment Early

- Q1. May a Federal Family Education Loan (FFEL) Stafford Loan borrower currently attending school on at least a one-half time basis request that his or her loan be placed into repayment to qualify that loan for inclusion in a FFEL consolidation loan?
- A1. Yes, a FFEL Stafford Loan borrower may request the lender of his or her loan to put the loan into repayment status even if the student is still enrolled and plans to remain enrolled. When the loan moves directly into repayment status, the borrower loses the benefit of a grace period, now and in the future.
- Q2. Does the request by the borrower to enter repayment status early need to be in writing?
- A2. The request does not need to be in writing.
- Q3. Is the lender of the FFEL Stafford Loan required to grant the borrower's request to enter repayment status early?
- A3. Lenders are not required to grant a borrower's request to enter repayment status early.
- Q4. If a borrower wants to consolidate a Stafford Loan on which the borrower entered repayment status early, what interest rate for the underlying loan should be used when computing the weighted average interest rate on the consolidation loan?
- A4. If the lender determines the borrower is still enrolled, the lender can put the Stafford Loan, that will now be in repayment status, into an in-school deferment status at the borrower's request. The interest rate on the loan would be the deferment rate. If the borrower consolidates the Stafford Loan, the deferment interest rate would be used in calculating the weighted average interest rate on the consolidation loan.
- Q5. Does the borrower forfeit the right to a grace period on the Stafford Loan that was put into repayment status?
- A5. By entering repayment early, the borrower forfeits his or her grace period on the Stafford Loan.
- Q6. How long can a lender hold a Consolidation Loan application received before July 1 before making the Consolidation Loan at the pre-July 1 interest rate?
- A6. A lender may hold an application only for the period of time necessary to receive and process the loan verification certificates and disburse payoff amounts to the borrower's loan holders.
- Q7. Can a lender consider a borrower's loans to not be in an in-school status if the borrower is not in attendance in courses during the summer break period?

- A7. No, a borrower who would normally be considered “enrolled” during the summer break period under current program guidance must make a specific request to have his or her loans put into repayment status early.