

Cancellation and Consolidation

Conditions for cancelling all or part of your loan

Teacher service. If you are a new borrower* and are a full-time teacher in a low-income elementary or secondary school for 5 consecutive years, you may be able to have as much as \$17,500 of your subsidized or unsubsidized loans cancelled. This provision is not available for borrowers of PLUS Loans. For more information, [see Student Aid on the Web](#) or contact your loan servicer.

* You are considered a new borrower if you did not have an outstanding balance on an FFEL or Direct Loan on Oct. 1, 1998, or on the date you obtained an FFEL or Direct Loan after Oct. 1, 1998.

Public service. If you are employed in certain public service jobs and have made 120 payments on your Direct Loans (after Oct. 1, 2007), the remaining balance that you owe may be forgiven. Only payments made under certain repayment plans may be counted toward the required 120 payments. You must not be in default on the loans that are forgiven.

School-related discharges. In certain cases, you may be able to have all or a part of your loan cancelled because:

- Your school closed before you completed your program.
- Your school forged your signature on your promissory note or falsely certified that you were eligible to get the loan.
- Your loan was falsely certified because of identity theft (additional requirements apply).
- You withdrew from school but the school didn't pay a refund that it owed under its written policy or our regulations. Check with the school to see how refund policies apply to federal aid at the school.

In general, you must repay your loan even if you don't graduate, can't find work in your field of study, or are dissatisfied with the education program.

Disability, bankruptcy, or death.

- Your loan may be discharged if you are determined to be totally and permanently disabled and you meet certain requirements during a 3-year conditional discharge period. To apply for this discharge, you must provide a physician's statement that you became totally and permanently disabled after the loan was made. See your copy of the Borrower's Rights and Responsibilities Statement for more information on the procedures and conditions for this discharge.
- Your loan may be cancelled if it is discharged in bankruptcy. This is not an automatic process—you must prove to the bankruptcy court that repaying the loan would cause undue hardship.
- For a student who dies, the loan will be cancelled if a family member or other representative provides an original or a copy of the original or certified copy of the death certificate to the Direct Loan Servicing Center.

Contact your loan servicer for more information or to get a cancellation form. You can also find more information in your copy of the Borrower's Rights and Responsibilities Statement.

Consolidation

There may be advantages to consolidating (combining) your federal student loans into one loan, starting with the convenience of making a single monthly payment. Consolidation generally extends the repayment period, resulting in a lower monthly payment. This may make it easier for you to repay your loans. However, you will pay more interest if you extend your repayment period through consolidation since you will be making payments for a longer period of time. Contact the Direct Loan Consolidation Center for more information: at 1-800-557-7392, TTY for the hearing-impaired at 1-800-557-7395. The Direct Loans Consolidation website also has an [online calculator](#) that you can use to find out how much you'll pay each month if you consolidate.

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Source: <http://www.direct.ed.gov/cancellation.html>