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Publication Date: March 2006

DCL ID: FP-06-03

Subject: Federal Family Education Loan (FFEL) Consolidation Loans

Summary: This letter reiterates and confirms the Department's position that, beginning April 1, 2006, it will enforce the single holder rule in the making of FFEL Consolidation Loans.

References: Section 428C of the Higher Education Act (HEA)

Dear Colleague Letter [FP-05-09](#) (September 20, 2005)

Dear Colleague Letter [FP-04-07](#) (August 26, 2004)

Dear Colleague Letter [FP-04-06](#) (August 26, 2004)

Dear Colleague Letter [FP-04-05](#) (April 29, 2004)

Posted on 3-17-2006:

Dear Colleague:

In the series of Dear Colleague Letters listed above, the Department reminded participants in the student loan programs under Title IV of the HEA, as amended, of the restrictions on loan consolidation in the Federal Family Education Loan (FFEL) Program and the Federal Direct Loan Program, including the single holder rule provisions in section 428C(b)(1)(A)(i) of the HEA. The single holder rule states that a FFEL lender may not make a Consolidation Loan to a borrower unless the lender holds an outstanding loan of that borrower that would be repaid by the Consolidation Loan. However, the requirement that the lender hold an outstanding loan of the borrower does not apply if the borrower has FFEL loans held by multiple FFEL lenders or if the borrower's FFEL lender either does not offer Consolidation Loans or does not offer the borrower income-sensitive repayment terms. The Dear Colleague Letters also reminded program participants that FFEL Consolidation Loans made in violation of the single holder rule would not meet the requirements for reinsurance and other benefits under the FFEL Program.

In our earlier Dear Colleague Letters, the Department noted that Congress was considering changes to the single holder rule as part of its reauthorization of the FFEL Program. In light of that possible legislative action, the Department announced that, for a temporary period, we would not deny reinsurance on FFEL Consolidation Loans that did not comply with the single holder rule. Most recently, in Dear Colleague Letter FP-05-09 issued on September 20, 2005, the Department established a deadline of March 31, 2006, for compliance with the single holder rule.

Any FFEL Consolidation Loan made after March 31, 2006, that does not comply with the single holder rule by including at least one FFEL loan is not eligible for reinsurance and other program benefits unless the

consolidating lender submitted all applicable Loan Verification Certificates (LVCs) to the holder(s) of the underlying loans on or before March 31, 2006.

Based on changes included in section 8009 of the Higher Education Reconciliation Act of 2005 (Pub. L. 109-171), a FFEL or Direct Consolidation Loan may not be made on or after July 1, 2006, to any borrower who has a Consolidation Loan in either program unless the borrower includes additional eligible loans in the new Consolidation Loan. In administering the Direct Loan Program, the Department will continue to process LVCs received from FFEL lenders through June 30, 2006, if the Direct Consolidation Loan that is the subject of the LVC resulted from a Direct Consolidation Loan application received by the Department on or before March 31, 2006. The resulting FFEL Consolidation Loan would be eligible for reinsurance and other program benefits.

Consistent with prior guidance, the Department will continue to process LVCs for borrowers with Direct Stafford and Direct Parent Loans to Undergraduate Students (PLUS) Loans.

We thank you for your cooperation in complying with this guidance. If you have any questions on this issue, please contact Pam Moran by e-mail at [Pamela.Moran@ed.gov](mailto:Pamela.Moran@ed.gov) or by phone at (202) 502-7732.

Sincerely,

Sally L. Stroup  
Assistant Secretary for  
Postsecondary Education

Theresa S. Shaw  
Chief Operating Officer  
Federal Student Aid

Attachments/Enclosures:

[FP-06-03: Federal Family Education Loan \(FFEL\) Consolidation Loans in PDF Format, 2.32MB, 2 pages](#)

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