



FEDERAL LOAN CONSOLIDATION

If you apply for a Federal Student Consolidation Loan you are applying for a new loan that will pay off your existing eligible student loans. Historically, borrowers would consolidate if they had many different federal student loans with many different lenders or loan holders. In these situations, consolidation helped simplify the repayment process. Instead of sending loan payments to multiple places, the borrower could make one payment to one lender for all of their federal student loans.

More recently, low interest rates have compelled borrowers to consider a Federal Consolidation Loan. This type of loan has several new terms and conditions, such as a fixed interest rate based on the weighted average of all loans being consolidated and a possible extension of the repayment period.

Loan consolidation is a tool that may be helpful to you for successful management of your loan repayment responsibilities but it is an individual decision that you'll want to think about carefully and research thoroughly since it has long-term implications.

WHAT IS A CONSOLIDATION LOAN?

If you consolidate your federal student loans they are paid off by a new federal loan created by the consolidating lender. A new federal loan that consolidates all of your individual loans is issued. You receive a new repayment schedule based on the size of your education loan debt, the loan interest rate and the repayment plan chosen. Your consolidation loan interest rate is based on the weighted average of the loans you are consolidating rounded up to 1/8 of a percent. Your interest rate can never exceed 8.25%. Standard, Graduated, Extended and Income Sensitive Repayment Schedules and deferment options are available on federal consolidation loans.

WHAT ARE THE POTENTIAL FINANCIAL IMPACTS OF CONSOLIDATION?

Potential Reduction of the Minimum Monthly Payment

The minimum monthly payment amount is typically lower than the total minimum monthly payments of loans that are not consolidated because the repayment term on the consolidation loan is often extended and can have a lower interest rate. Since you may be going from a 10-year repayment period to a 12-, 15-, 20- or even a 30-year repayment period, you can anticipate a reduction in your minimum monthly payment.

Potential Increase in Total Interest Paid

If you stretch out the repayment term, you will pay more in interest for your loan in the long run if you only make the minimum monthly payment. Consolidation loans don't carry a prepayment penalty, so if you consolidate fixing the interest rate, and pay more than the minimum monthly payment, you could pay off your loan more quickly and reduce the total amount of interest over the life of your loan.

[Consolidation loan calculators](#) can help you to estimate the minimum monthly payment and identify the repayment term for a consolidation loan.

WHY WOULD I WANT TO CONSOLIDATE BEFORE JULY 1ST?

You may be able to lock in a fixed lower interest rate.

The interest rate for loans awarded and disbursed prior to July 1, 2006 will change on July 1, 2006.

Loan Type/Status	Rates 7/1/05 – 6/30/06	Rates 7/1/06 – 6/30/07
Stafford Loan (in-school, grace, deferment)	4.70%	6.54%
Stafford Loan (repayment)	5.30%	7.14%
PLUS Loan	6.10%	7.94%

(Stafford and PLUS loans awarded and disbursed July 1, 2006 and after will have fixed interest rates: Stafford Loans 6.8%, PLUS 8.5 %.)

WHAT LOANS ARE ELIGIBLE FOR CONSOLIDATION?

Federal student loans such as Stafford, Perkins, Nursing and PLUS loans are eligible for loan consolidation. Private or alternative loans are not eligible for the federal consolidation loan program. You may review your U.S. Dept. of Education loans at www.nslds.ed.gov. If you have been awarded a Nursing loan while attending SPU you may review your Nursing loan information on-line at www.mycampusloan.com. If you have been awarded a Nursing loan while attending another school please contact the Financial Aid office of that school.

HOW DO I CHOOSE A CONSOLIDATION LOAN LENDER?

If your loans are all held by one lender you must seek a consolidation loan from that lender. If you have loans held by several lenders you are free to pursue a consolidation loan with any lender. However, please keep in mind the following:

- The lender holding the majority of your loans will already have the majority of your loan information.
- In order to receive a timely and eligible consolidation loan be sure to apply for a consolidation loan with a lender that holds your loan(s). Remember that to establish your consolidation loan rate based on the current rates for our loan(s) your completed application must be received by the eligible lender before July 1st.
- The consolidation loan product is a federal loan and will be the same loan with the same terms and conditions regardless of the lender you use. Lenders may offer different borrower benefits such as a reduced interest rate for establishing electronic automatic payments for your loan. Please be sure that you fully understand the terms and conditions for application of any borrower benefits a lender may offer.
- The levels of customer service provided by the lender including access to loan information on-line or by phone.

CAN I CONSOLIDATE IF I AM STILL IN SCHOOL?

You are able to consolidate your federal student loans while you are in-school provided that you do so prior to July 1st. After July 1, 2006 this provision will no longer be available. If you have not graduated you need to request that your lender put your loan into repayment status to make the loan eligible for consolidation. This request can be followed by a request for in-school deferment, which means you will not be required to make payments while in school. Please contact your lender to ensure that you make any necessary requests for repayment status and in-school deferment.

WHAT WILL HAPPEN TO MY GRACE PERIOD?

Consolidation loans do not have a grace period and will enter repayment approximately 60 days after disbursement. Consolidation loan applications generally take about 4-6 weeks for processing.

- If you consolidate your loans while you are in-school your request to place your loan in repayment status will mean that once you do graduate or are enrolled for less than half-time credits your consolidation loan will immediately enter repayment.
- If you are graduating this spring please note that some consolidation lenders are holding completed applications for processing just prior to the end of your grace period to maximize your grace period. Please contact your lender to see if they will make any accommodation to maximize your grace period.

ARE THERE LOAN FORGIVENESS/CANCELLATION BENEFITS FOR CONSOLIDATION LOANS?

A Federal Consolidation Loan does not have loan forgiveness options. If you anticipate eligibility for loan forgiveness you may withhold the loan(s) with the forgiveness option from consolidation. In the future, if you don't qualify for forgiveness on the loan, or still have a balance remaining after maximum forgiveness has been received, you can consolidate the loan(s) and the existing Federal Consolidation Loan. Check out www.studentaid.ed.gov for a complete list of qualifications for loan forgiveness.