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# Loan Consolidation Made “Simple”




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National Student  
Loan Program

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## What you will learn

- basic rules of consolidation
- consolidation pros and cons
- how to select a lender



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## Basic Rules of Consolidation



## Consolidation loan basics

- allows you to combine your federal student loans
  - private and alternative loans are not eligible
- National Student Loan Database System
  - [www.nslds.ed.gov](http://www.nslds.ed.gov)
  - 800-4-FED-AID



## Loans that can be consolidated

- Stafford loans – subsidized and unsubsidized
- Perkins
- PLUS (grad or parent)
- Health Professions Student Loan (HPSL)
- Health Education Assistance Loan (HEAL)
- Nursing Student Loan (NSL)
- Federal Direct Loan Program
- SLS (formerly ALAS)
- Federally Insured Student Loan (FISL)
- Federal Consolidation Loan



PLUS: Parents can consolidate their loans once they are fully disbursed, but can not consolidate with their student's (children's) loans but can combine with their own student loan.

## Consolidation basics

- simply apply with a lender
  - must not owe a grant refund
  - must continue making payments until loans have been consolidated, or request a forbearance
  - additional loans may be added within 180 days
  - must be graduated, out of school, or enrolled below half status
  - must not have another pending consolidation loan



Forbearance: If you temporarily cannot meet your repayment schedule but you don't meet the requirements for a deferment. Your payments are postponed or reduced, interest continues to accrue.

## Interest rates

- weighted average of interest on all loans consolidated, rounded up to nearest 1/8%
- maximum rate: 8.25%
- fixed interest rate for life of loan
- different interest calculations for HEAL loans
- prior to July 1, 2006: variable rates
- after July 1, 2006: rates fixed at 6.8%



You can find the Consolidation Calculator on the “Federal Loan Consolidation” Handout and on the Student Services Website.

## Consolidation Pros and Cons



### Consolidation pros

- extended payment period, up to 30 years, helps lower monthly payment
- convenient, single payment
- choice of any consolidating lender that is right for you
- only one lender/point of contact
- competitive discounts
- no fees, credit checks, or prepayment penalties
- fixed interest rate



## Repayment periods

Less than \$7,500	10 years
\$7,500 - \$9,999	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 and over	30 years



## Consolidation cons

- extending years in repayment will cost more in interest
- may lose deferment, forbearance, forgiveness and cancellation benefits on some loans (i.e. Perkins)
- unless otherwise specified, will forfeit remaining grace if consolidate during grace period
- fixed interest rate
- once consolidated, no turning back



## Selecting a Lender



## Lender differences

- various incentives and discounts
- various products
- may have minimum loan requirement
- customer service
  - ombudsman department
- conveniences
  - online
  - office hours
  - location



## Incentives and discounts

- examples:
  - .25% off interest rate when sign up for autopay
  - 1% off interest rate after certain number of on-time payments



## Decide for yourself

- consider pros and cons
- consider your lifestyle, discipline, and organizational methods
- educate yourself
  - ask questions
  - compare various lender options
  - drill down to the numbers and evaluate



## Online resources

- [www.nslp.org](http://www.nslp.org), *Students & Borrowers*
  - calculators
  - repayment assistance
  - *Loan Inquiry/Summary*
  - preventing default and managing money
  - tax benefits
- Department of Education
  - [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)
- lenders' sites



## What you have learned

- basic rules of consolidation
- consolidation pros and cons
- how to select a lender



Now what?



## More information

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