

Federal Consolidation Loans

Frequently Asked Questions:

1. What is a Federal Consolidation loan?

A Federal Consolidation Loan is a loan that allows a borrower to combine all eligible federal education loans into a new loan with a single a payment and an extended repayment period up to 30 years.

2. Which loans can I consolidate?

- Federal Stafford Loans (Subsidized and Unsubsidized)
- Direct Stafford Loans (Subsidized and Unsubsidized)
- Federal Supplemental Loans for Students (SLS Loans; formerly Auxiliary Loans to Assist Students (ALAS))
- Federal Perkins Loans, formerly National Defense/National Direct Student Loans (NDSL)
- Health Professions Student Loans, including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)*
- Federal Insured Student Loans (FISL)
- Federal PLUS (Parent) Loans (Parents and Student Loans cannot be consolidated together unless both are in their name)
- Federal Direct PLUS Loans
- Federal Nursing Loans

* Some lenders do not consolidate HEAL loans. Contact your lender for more information.

3. Am I eligible for loan consolidation?

You may apply for a Consolidation Loan during your grace period or once you've entered repayment. Stafford and PLUS borrowers may consolidate their loans at any time during repayment including periods of deferment or forbearance.

4. What will be my interest rate?

The Federal Consolidation loan interest rate is a fixed rate equal to the weighted-average of the interest rates of the loans being consolidated rounded up to the nearest 1/8 of 1% but not exceeding 8.25%.

5. Are there fees that I must pay to receive a Federal Consolidation loan?

There are no processing or application fees associated with consolidating a loan.

6. Who should I call for a Consolidation Loan?

Call the lender who funded your Federal Loans. If you have multiple loans with different Federal lenders, you may contact the lender of your choice to discuss your options.

7. How long do I have to repay my Federal Consolidation loan?

| <u>Total Education Debt</u> | <u>Maximum Payback Period</u> |
|-----------------------------|-------------------------------|
| \$7,500 - \$9,999.99 | 12 years |
| \$10,000 - \$19,999.99 | 15 years |
| \$20,000 - \$39,999.99 | 20 years |
| \$40,000 - \$59,999.99 | 25 years |
| \$60,000 or more | 30 years |

8. What are my repayment options?

Your lender offers a choice of repayment plans including a level payment plan and different graduated income sensitive repayment plans. Contact your lender for specific details regarding the repayment plans offered. You will be asked to specify the repayment plan that best fits your needs on the Federal Consolidation Loan Application and Promissory Note.

9. Are there deferments available on a Federal Consolidation loan?

A Federal Consolidation loan borrower may defer payment of principal and interest during certain periods. You can view all deferments types at the following web address:
http://studentaid.ed.gov/students/publications/repaying_loans/2003_2004

10. May I add to my Federal Consolidation loan once it's been made?

Yes, you may add any other/new eligible loan(s) to your outstanding consolidation loan, provided you make the request within 180 days of the date the consolidation loan is made. You may also be eligible for a subsequent consolidation loan if you wish to consolidate your existing consolidation loan with at least one other eligible loan.

11. If I consolidate my loans, can I re-consolidate if the rates should go lower?

No, once a loan is consolidated it cannot be re-consolidated at a lower rate.

12. If my loans are in repayment and I've already earned discounted rates due to borrower benefits, if I consolidate will I lose my lower rates?

Yes, by definition a consolidated loan is a new loan with a new interest rate and current borrower benefits will not apply.

13. If I choose to consolidate and then change my mind, can it be undone?

No, once a loan is consolidated it remains consolidated because the borrower completed a promissory note.

14. Can married couples apply for a joint, spousal consolidation loan?

Per the Federal Consolidation program, spousal consolidation is available but must be offered by lender to be obtained.

15. What if a couple that has a spousal consolidation divorces?

Dependent on the divorce decree, both parties are still responsible for repaying the debt of the spousal consolidation.

16. What if one of the spouses dies and has a spousal consolidation?

New rules allow partial discharge of financial responsibility for the surviving spouse.

17. Do you have to take the entire consolidation repayment term to pay off the loan?

There is no penalty for pre-payment.

18. What if you default and have a consolidated loan?

Several instances could occur:

- a) Collection costs and legal expenses
- b) Damage your credit
- c) Wages could be garnished
- d) Tax refund withheld

19. What if I receive solicitation from a Consolidating Company?

If you have questions, contact your lender who funded your Federal Loans.

20. I have more questions!

For more information on the Federal Consolidation loan program, contact the current lender of your Stafford loans.

Sallie Mae, Inc.
1-800-428-9250 Schools/Lenders
1-800-448-3533 Students

Great Lakes Higher Education
1-800-236-5900 Schools/Lenders
1-800-236-6600 Students