

STUDENT LOAN OUTFITTERS

Responsible Borrowing – Successful Repayment
A free service of the Iowa College Student Aid Commission

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Student Loan Consolidation

Student loan consolidation can be a useful debt management tool. Consolidation enables you to bundle all federal educational loans into a single loan, resulting in a single payment made to a single lender.

However, you should carefully consider whether consolidation is the best course of action. If you have questions regarding student loan consolidation, please contact the Iowa College Student Aid Commission. A client services representative will be happy to assist you.

The following discussion pertains to borrowers in both the Federal Family Education Loan (FFEL) and Federal Direct Loan Programs. Exceptions are noted.

Borrower Eligibility

- You may be in or out of school, in a grace period, or in repayment.
- You must not have another consolidation loan pending with another lender or the Direct Loan Program.
- More information is available at the following websites:
 - FFEL Consolidation:
http://www.iowacollegeaid.org/loans/loan_consolidation.htm
 - Direct Consolidation:
<http://www.loanconsolidation.ed.gov/hfaq.shtml>

Eligible Student Loans

- Federal Subsidized and Unsubsidized Stafford Loans (FFEL and Direct)
- Federal PLUS Loans (FFEL and Direct)
- Federal SLS Loans
- Federal Perkins (NDSL) Loans
- Federal Nursing Student Loans
- Health Profession Student Loans
- Health Education Assistance Loans (HEAL)

Choosing a Consolidating Lender

- If your FFEL Program student loans are held by a single lender, you must attempt to consolidate with that lender.
- If your FFEL Program student loans are held by multiple lenders, you may select any consolidating lender.
- Some lenders may offer borrower benefits for timely payments.

Options for Postponing Payments

If you are having difficulty repaying your consolidation loan, you may be eligible to postpone your payments. Check with your lender to see if you qualify for one of the following:

- In-School deferment,
- Unemployment deferment,
- Economic Hardship deferment,
- Graduate Fellowship deferment,
- Rehabilitation Training deferment, or

- General Forbearance

new borrower on or after October 7, 1998.

Consolidation Benefits

- A single monthly payment to one lender
- A lower monthly payment
- You can lock in a low, fixed interest rate
- Flexible repayment plans including, in most cases, an extended repayment term
- Potential borrower benefits (i.e. interest rate reductions for on-time and / or electronic payments)

Consolidation Drawbacks

- An extended repayment term means you will pay more in interest over the life of the loan.
- You may lose certain deferment, loan cancellation, or other benefits on the loans you consolidate.

Interest Rate Calculation

- The interest rate for your consolidation loans is calculated by taking the weighted average of all loans being consolidated and rounding up to the nearest 1/8th of a percent.
- Your interest rate is fixed for the life of your consolidation loan.*
- Your interest rate will not exceed 8.25%.

Tracking Your Student Loans

<http://www.nsls.ed.gov> – The National Student Loan Data System requires a U.S. Department of Education issued PIN. You may register for your PIN at <http://pin.ed.gov/pinindex.htm>.

<http://www.loanlocator.org> – Click on the Students link and view information about your student loans.

* Your interest rate may be lower due to borrower benefits offered by some lenders.

Repayment Estimator

The following charts list approximate monthly payments under a Standard repayment plan of 10 years and the maximum repayment terms based on total educational debt. Contact your lender or the Iowa College Student Aid Commission to inquire about monthly payments under the other repayment plans.

Repayment Plans

- **Standard** – Loans are paid in equal monthly installments.
- **Graduated** – Monthly payments begin low and gradually increase over time.
- **Income sensitive** – Monthly payments are based on a percentage of your current income and potential future earnings.
- **Extended** – Allows you to extend the term of your loan repayment if your outstanding FFEL Program loans total more than \$30,000 and you are a

| Total Balance | Interest Rate | | |
|---------------|---------------|--------|--------|
| | 6% | 7% | 8.25% |
| \$ 1,000 | \$ 50* | \$ 50* | \$ 50* |
| \$ 2,500 | \$ 50* | \$ 50* | \$ 50* |
| \$ 4,000 | \$ 50* | \$ 50* | \$ 50* |
| \$ 5,000 | \$ 56 | \$ 58 | \$ 61 |
| \$10,000 | \$ 111 | \$ 116 | \$ 123 |
| \$15,000 | \$ 167 | \$ 174 | \$ 184 |
| \$20,000 | \$ 222 | \$ 232 | \$ 245 |
| \$30,000 | \$ 333 | \$ 348 | \$ 368 |
| \$40,000 | \$ 444 | \$ 464 | \$ 491 |

* Monthly payments cannot be less than \$50.

| Total Educational Debt | Maximum Term |
|------------------------|--------------|
| Less than \$7,500 | 10 YRS |
| \$7,500 - \$9,999 | 12 YRS |
| \$10,000 - \$19,999 | 15 YRS |
| \$20,000 - \$39,999 | 20 YRS |
| \$40,000 - \$59,999 | 25 YRS |
| \$60,000 or more | 30 YRS |