



The Student Loan Corporation

# Federal Loan Consolidation

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## What is a Federal Consolidation Loan?

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A Federal Consolidation Loan is a loan available to a borrower who wants to combine his or her outstanding federal education loans into a single loan with a single monthly payment.



If you are looking for long-term relief to high monthly payments, consolidation may be the right option for you.

## Paying Off Your Student Loans

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**Stafford Loan payments begin 6 months after graduation.**

**PLUS Loan payment begins after the final disbursement.**

**6 month grace period – no monthly payments required.**

–May grads

repayment begins in December

–December grads

repayment begins in July

–You will be notified by your lender when your first payment is due. It is important to keep this date in mind as you consolidate.



## Benefits of Consolidation

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- Convert from a variable interest rate to a fixed interest rate
- Extend your repayment term – from 10 to 30 years based upon your outstanding balances
- Lower your monthly payment amount
- Choose from several repayment options
- Get one monthly statement
- Make one monthly payment



- **No credit check**
- **No income verification**
- **No co-signer**

## Loans Eligible for Federal Consolidation

- Subsidized Federal Stafford and Unsubsidized Federal Stafford Loans
- Federal Consolidation Loan\*
- Federal Perkins Loans—formerly National Defense/Direct Student Loans (NDSL)



**Private loans may  
not be consolidated  
in a Federal  
Consolidation Loan**

\* Consolidation Loans may be consolidated in subsequent consolidation loan or through the Add-A-Loan process. Please evaluate the rates of the underlying loans carefully before choosing this option.

## Loan Consolidation for Students

### Students may consolidate:

- Federal loans taken out in your name
  - Loans may not be in an “In School” status\* –  
***Current students must request that the status of their loans be changed to “Repayment” by requesting “Early Repayment”***
  - Loans must be in “Grace” or “Repayment” status
  - No other loan consolidation applications may be in progress
- Example: Mike may consolidate his 2 Perkins Loans from his first 2 years of community college, his 2 Subsidized Stafford Loans and 2 Unsubsidized Stafford Loans that he took out for his final 2 years at a four-year university.



\* Effective July 1, 2006, students will no longer be able to request “Early Repayment” and consolidate their student loans while they are in school.

## Calculating the Fixed Interest Rate

**The government determines the formula for calculating the fixed interest rate:**

The interest rate will be the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8% or 8.25%, whichever is less.



Example:

\$3,550	x	5%	=	\$177
\$3,200	x	4%	=	\$128
<u>\$5,500</u>	x	6%	=	<u>\$330</u>
\$12,200	<i>outstanding</i>			\$635

New Rate:

$$\begin{aligned} \$635 / \$12,200 &= 0.0520 \\ 5.20\% &\text{ rounded up to } 5.25\% \end{aligned}$$

- Now is the perfect time to consolidate and lock in **fixed** rate.
- Rates are expected to go up in July, 2006.
- Submit your free Federal Loan Consolidation application prior to July 1 to protect yourself from the expected rate increase.

## Consolidating During Grace

- The federal interest rate on a Stafford Loan is 0.60% lower during the 6 month grace period than when the loan is in repayment.

• Stafford Rate	5.30%*
• In-grace Reduction	<u>0.60%</u>
• In-grace Stafford Rate	4.70%



- To take advantage of the 4.70% interest rate and have your application held for processing until the end of your grace period:
  - Submit your application while In-grace and prior to July 1, 2006.
  - Provide the month and year of your grace end date in response to question #26 on the Consolidation Loan application.
- If you choose to have us hold the processing of the loan until the end of the grace period, then any existing variable rate loans will be subject to the annual federal rate change that occurs on July 1st. Interest will accrue on those loans at the new rate until the Consolidation Loan is processed.

\*Federal Stafford Loan interest rate in effect July 1, 2005 through June 30, 2006.

## Consolidating During Repayment

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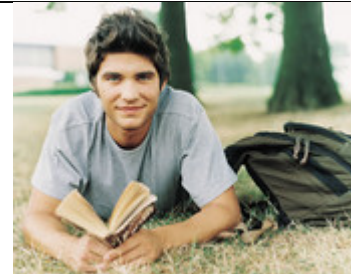
- You may consolidate your loans at any time during repayment.
- If your loan payments are currently being deferred and you would like to continue the deferment, you may consolidate and then reapply for deferment on the Consolidation Loan. Be sure to verify that the appropriate deferment is an option for a Consolidation Loan.



## Adding Loans

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- You may add additional eligible loans to your Federal Consolidation Loan within 180 days of the opening of the original Consolidation Loan. Be sure to request an “Add A Loan” form.
- After 180 days you will need to reconsolidate your Federal Consolidation Loan if you want to add any additional loans. You will need to complete a new Federal Consolidation Loan application to do this.



## Who Do I Consolidate My Loans With?

### Single Lender

- Federal regulations require that if you have all of your FFELP student loans with one lender then you must also consolidate your loans with that lender.
- If your lender does not offer loan consolidation or an income sensitive repayment option then you may consolidate with any lender that offers loan consolidation.



### Multiple Lenders

- If you have FFELP student loans with more than one lender you may consolidate your loans with the lender of your choice.

## Repayment Terms

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**The repayment term is based upon the aggregate Consolidation Loan balance:**

- \$7,499 or less = 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 or above = 30 years



**Although private loans/alternative loans may not be consolidated with federal loans their balances may be used to calculate total student loan indebtedness. These loans may extend the repayment term and result in lower monthly payments.**

## Flexible Repayment Options

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### Level Repayment

- A monthly payment, consisting of both principal and interest, that remains the same throughout the repayment term

### Interest Only

- Interest-only payments for 2, 3 or 4 years
- Principal repayment is delayed, not waived

### Income Sensitive

- Flexible monthly payments
- Amount is equal to or greater than the larger of
  - Monthly interest accrual, or
  - 1% of gross monthly income

### Graduated

- Lower initial payments for 2 or 4 years with higher payments thereafter
- Repayment term is the same as the Level Plan
- Total interest is slightly higher than the Level Plan



## Deferment Options

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**Deferments allow you to suspend making monthly payments for a set period of time if you meet defined eligibility criteria:**



- In school (Unlimited)
- Unemployment (3 year term)
- Economic hardship (3 year term)
- Graduate fellowship (Unlimited)
- Rehabilitation training (Unlimited)

***For the unsubsidized portion of the Consolidation Loan, you may choose to pay the interest or have the interest capitalized.***

## Forbearance Options

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**Forbearance enables you to temporarily postpone making principal payments. You are responsible for the interest that accrues on the Consolidation Loan:**



**You may be eligible for forbearance under the following circumstances:**

- You participate in a qualifying program such as a medical/dental internship/ residency, Americorps, or Department of Defense
- You have a high student debt to income ratio
- At the discretion of the lender

## Other Borrower Benefits

**Most lenders reward borrowers who are responsible about paying back their loans. Look for special borrower benefits such as:**

- Interest rate reduction for automatic payments from your checking or savings accounts
- Interest rate reduction for consecutive, initial on-time payments over a specified period of time



As an example, Citibank offers\*:

- **0.25% interest rate reduction** - You will receive an interest rate reduction of 0.25% when you have your loan consolidation payments automatically withdrawn from your bank account.
- **1.00% Interest Rate Reduction with CitiExtras® Savings** - When you make your first 36 consecutive monthly payments on time you will automatically receive a 1.00% interest rate reduction during repayment for the remaining term of your loan.

\*Eligible loans that are consolidated on or after 7/1/2002 are eligible for the E-Z Pay auto-debit rate discount when payments are automatically withdrawn from your bank account and you agree to receive electronic statements. Eligible loans consolidated on or after 8/1/2004 are eligible to receive the 1.00% interest rate reduction for CitiExtras® Savings after making their first 36 consecutive payments on-time. These offers are valid on Federal Consolidation Loan requests that are received by Citibank, N.A. while this loan program is in effect. Interest rate reductions and other benefits terminate upon loan delinquency or default. Borrowers must continue to make monthly payments by the scheduled payment due date to retain the applicable benefit. We reserve the right to modify or discontinue benefit programs at any time without notice. Any termination or modification of the program will not affect the terms of loans previously made. Visit [studentloan.com](http://studentloan.com) for other terms and conditions that may apply.

## Getting Started

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**The loan consolidation application is a government form used by all lenders. You'll need the following to get started:**



- Information about each of your outstanding loans:
  - Account numbers, interest rates, and the lender name & address
- Driver's license number & issuing state
- Two personal references
  - Friends or relatives
  - Must reside at U.S. addresses different from you and each other

## Pros and Cons of Loan Consolidation

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### Pros:

- Fixed interest rate
- Lower monthly payments
- Borrower benefits
- Flexible repayment options
- One statement
- One payment

### Cons

- Extended repayment period
- Pay more interest over the life of the loan
- Consolidations loans enter repayment immediately (grace period may be forfeited)





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## Citibank Resources

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For questions, loan calculators, or to apply:

**[www.studentloan.com/consolidate](http://www.studentloan.com/consolidate)**



or

**(866) 771-7188**

Monday - Friday 8:00 a.m. – 11:00 p.m. ET

Saturday 9:00 a.m. – 6:00 p.m. ET