What Every Borrower Should Know About Student Loan Repayment & Consolidation

Michele Colson
Manager, Campus Programs
Agenda

• Repayment Options
• What is loan consolidation?
• Who are your eligible lenders?
• What are the advantages/disadvantages?
• When should you consolidate?
• What else should you consider?
Learning Objectives

• By the end of the session, you will:
  – Be aware of your repayment options
  – Understand the regulatory aspects of the loan consolidation program
  – Know the advantages and disadvantages of loan consolidation
  – Learn what other things you should take into account when considering loan consolidation
Repayment Options

• Many different repayment options to select from
• Advantages/disadvantages to all of them; students need to understand them all
• Many borrowers pick the lowest payment option or the standard option without thinking about the implications
  – Can cost you money and cause delinquency and/or default problems
Repayment Options

• Take the time to gather ALL critical information
  – Complete listing of all education-related loans
  – Information about each loan
    • Lender, disbursement amount and date, sub/unsub
  – Current income information
  – Current budget and expense information
  – Employment and income projections
Repayment Options

• Standard repayment
  – Most common option
  – Payments of equal, monthly installments
  – Repayment period cannot exceed 10 years
    • Borrower must be given at least five years to repay
  – Minimum payment of $50, usually much more
Repayment Options

• Standard repayment
  – Well suited for borrowers with relatively low balances (under 10k) or with higher balances and higher income
  – Monthly payments may be too high for some borrowers, although deferments/forbearances may alleviate some of this disadvantage
Repayment Options

• Graduated repayment
  – Tiered payment plan in which the monthly payment amount changes during the repayment term, usually increasing
  – Many are three- or four-tiered
  – Monthly payment amount must cover accruing interest
Repayment Options

• Graduated repayment
  – Combines low initial payments and predictable structures
  – Borrowers can accelerate payments with no penalty, pay it off quicker
  – Interest cost will be more than with the standard repayment plan
    • Borrowers pay for lower payments with higher interest costs
Repayment Options

• Income-sensitive repayment
  – Monthly payment based on the borrower’s income and re-examined annually
  – Payments must cover accruing interest
  – Repayment term cannot exceed 10 years
    • Can with loan consolidation
Repayment Options

• Income-sensitive repayment
  – May appeal to borrowers with high balances, have other financial obligations, are in danger of default, or whose incomes will be low at first
  – Interest cost almost always higher under this plan, borrowers must weigh the benefits vs. costs carefully
Repayment Options

• Extended repayment
  – Relatively new repayment options, available only to borrowers who did not have a balance on an FFELP loan as of Oct. 7, 1998, or at the time they received FFELP loan after Oct. 7, 1998
  – Only available to borrowers with loan balances exceeding $30,000
Repayment Options

• Extended repayment
  – May reduce the amount of the monthly payment by spreading payments over a period of up to 25 years
    • Similar to loan consolidation, but does not involve taking out a new loan to pay off existing loans and interest rate remains variable
  – Appealing to borrowers with high-debt levels
  – Total interest costs will be significantly higher than under the other repayment plans
<table>
<thead>
<tr>
<th>Outstanding Principal</th>
<th>Level Repayment</th>
<th>Graduated Repayment</th>
<th>Income-sensitive</th>
<th>Extended Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$265</td>
<td>$105 2 yrs</td>
<td>$133 1 yr</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Int = $6,820</td>
<td>Int = 7,876</td>
<td>Int = $7,964</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total = $31,820</td>
<td>Total = $32,876</td>
<td>Total = $32,964</td>
<td></td>
</tr>
<tr>
<td>$50,000</td>
<td>$530</td>
<td>$211 2 yrs</td>
<td>$208 1 yr</td>
<td>$292</td>
</tr>
<tr>
<td></td>
<td>Int = $13,639</td>
<td>Int = 632 8 yrs</td>
<td>Int = $16,139</td>
<td>$25 yr term</td>
</tr>
<tr>
<td></td>
<td>Total = $63,639</td>
<td>Total = $65,752</td>
<td>Total = $66,139</td>
<td></td>
</tr>
<tr>
<td>$75,000</td>
<td>$795</td>
<td>$316 2 yrs</td>
<td>$313 1 yr</td>
<td>$438</td>
</tr>
<tr>
<td></td>
<td>Int = $20,459</td>
<td>Int = 948 8 yrs</td>
<td>Int = $24,209</td>
<td>$25 yr term</td>
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<tr>
<td></td>
<td>Total = $95,459</td>
<td>Total = $98,628</td>
<td>Total = $99,209</td>
<td></td>
</tr>
</tbody>
</table>

*Extended repayment has 25 year repayment term.
Loan Consolidation
What is loan Consolidation?

A Federal Consolidation loan allows the borrower to combine all of their eligible federal education loans into one new loan – and can extend the repayment term, allowing lower monthly payments.

Loan consolidation is a refinancing (financial consolidation) strategy that can benefit both student and parent borrowers, although it may not be the best strategy for every borrower.
Consolidation Counseling Cautions

- Consolidation can be complicated
- It pays to ask lots of questions
- It also pays to make sure you get the right answers
- What’s right for one borrower may not be right for another—your individual loan portfolio will determine what is best for you
What is loan consolidation?

• Lender issues new loan and pays off all of the loans put into the consolidation
  – The individual, consolidated loans no longer exist
  – This is big reason why consolidation loans cannot be unconsolidated
  – New loan has different interest rate and payback terms
What is loan consolidation?

- Borrower simply completes application
  - No application fee
  - No origination fee
  - No prepayment penalties
  - No credit check
Advantages of Consolidation

• Single loan with single payment
• Continued eligibility for economic hardship deferment and federal interest subsidies
• Continued eligibility for forbearance
• No extra fees to pay
• No credit check
Disadvantages of Consolidation

• Fixed rate that prevents borrowers from taking advantage of any future decreases in the interest rates on variable student loans

• Inability to take advantage of attractive borrower benefit packages that may be available for non-consolidated loans

• Likely increase in total interest expenses due to longer payback period
What loans can you consolidate?

• Federal education loans you received at anytime during your academic career
  – Undergraduate loans
  – Graduate school loans
  – Professional school loans
What loans can you consolidate?

• Virtually all of your Federal education loans
  – Federal Stafford Loans
  – Direct Stafford Loans
  – Federal Supplemental Loans for Students (SLS loans)
  – Perkins Loans
  – Most federal health education loans
What loans might you exclude?

- Once consolidated, Perkins, HPSL, LDS, and Federal Nursing loans lose their interest subsidy during a period of authorized deferment.
- You may exclude these loans from consolidation until you no longer need deferment subsidy.
- Federal rules allow you to reconsolidate your consolidation loans with your Perkins loans, etc., at a later date.
What loans can’t be consolidated?

• Any private education loans issued by banks and other lenders
• Any other type of private loan
  – Loans from Grandma and Grandpa are out
• Defaulted federal education loans
  – Unless you meet specific rules designed to help defaulted borrowers
When Can I Consolidate?

- **Just FFEL program loans**
  - Once you have exited school
- **Direct Lending loans**
  - May consolidate while you are in school if you consolidate with the DL program
- **With a private loan consolidator**
  - Anytime, but understand the implications!
    - Will lose federal benefits and entitlements
    - May have fees and much higher interest rates
    - May not be able to add additional loans later
Which Lender Can I Consolidate With?

• Federal rules stipulate whether a private lender is eligible to make a consolidation loan for a particular borrower
  – “single holder rule”
• Federal rules also dictate whether a borrower is eligible for Direct Loan consolidation, especially during an in-school period.
FFELP Lender Eligibility Rules

• For a borrower whose Stafford loans are held by only one private lender or loan holder, that single lender or loan holder is the eligible lender.
  – In this situation, other FFELP lenders most likely are not eligible consolidation lenders.
FFELP Lender Eligibility Rules

• Another private lender is eligible only if:
  – The current loan holder does not offer consolidation
  – Or, the current loan holder does not offer income-sensitive terms
• But lenders are required by law to offer income-sensitive terms, and no lender can schedule payments that are less than the accruing interest
What’s the minimum balance?

- Federal rules do not set a minimum balance
- Lenders are allowed to impose minimum balances
- Federal rules do not set a maximum balance
How long is the payback period?

10 to 30 years to repay, depending on how much you owe.*

<table>
<thead>
<tr>
<th>Total Education Debt</th>
<th>Max Payback Period**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $7,500</td>
<td>10 Years</td>
</tr>
<tr>
<td>$7,500 to $9,999.99</td>
<td>12 Years</td>
</tr>
<tr>
<td>$10,000 to $19,999.99</td>
<td>15 Years</td>
</tr>
<tr>
<td>$20,000 to $39,999.99</td>
<td>20 Years</td>
</tr>
<tr>
<td>$40,000 to $59,999.99</td>
<td>25 Years</td>
</tr>
<tr>
<td>$60,000 or more</td>
<td>30 Years</td>
</tr>
</tbody>
</table>

*Including federal and private education loans not put in consolidation loan.

**Slightly different payback schedule applies to Direct Consolidation Loans.
### Repayment Examples: Consolidated repayment terms at 2.875% rate

<table>
<thead>
<tr>
<th>Outstanding Principal</th>
<th>Level Repayment</th>
<th>Graduated Repayment</th>
<th>Income-sensitive</th>
<th>Extended Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$25,000</strong>&lt;br&gt;20 year repayment term</td>
<td><strong>$137</strong>&lt;br&gt;Int = <strong>$7,902</strong>&lt;br&gt;Total = <strong>$32,902</strong></td>
<td><strong>$60 2 yrs</strong>&lt;br&gt;Int = <strong>$8,491</strong>&lt;br&gt;Total = <strong>$32,876</strong></td>
<td><strong>$133 1 yr</strong> (based on $40k annual salary)&lt;br&gt;Int = <strong>$8,326</strong>&lt;br&gt;Total = <strong>$33,326</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>$50,000</strong>&lt;br&gt;25 year repayment term</td>
<td><strong>$234</strong>&lt;br&gt;Int = <strong>$20,160</strong>&lt;br&gt;Total = <strong>$70,160</strong></td>
<td><strong>$120 2yrs</strong>&lt;br&gt;Int = <strong>$21,273</strong>&lt;br&gt;Total = <strong>$71,273</strong></td>
<td><strong>$233v1 yr</strong> (based on $40k annual salary)&lt;br&gt;Int = <strong>$21,529</strong>&lt;br&gt;Total = <strong>$71,529</strong></td>
<td><strong>$234</strong>&lt;br&gt;Int = <strong>$20,160</strong>&lt;br&gt;Total = <strong>$87,689</strong>&lt;br&gt;25 yr term</td>
</tr>
<tr>
<td><strong>$75,000</strong>&lt;br&gt;30 year repayment term</td>
<td><strong>$311</strong>&lt;br&gt;Int = <strong>$37,021</strong>&lt;br&gt;Total = <strong>$112,459</strong></td>
<td><strong>$180 2 yrs</strong>&lt;br&gt;Int = <strong>$38,593</strong>&lt;br&gt;Total = <strong>$113,593</strong></td>
<td><strong>$180 1yr</strong> (based on $40k annual salary)&lt;br&gt;Int = <strong>$39,177</strong>&lt;br&gt;Total = <strong>$114,177</strong></td>
<td><strong>$351</strong>&lt;br&gt;Int = <strong>$30,240</strong>&lt;br&gt;Total = <strong>$105,240</strong>&lt;br&gt;25 yr term</td>
</tr>
</tbody>
</table>
Shorter Payback Allowed?

• Yes! You can ask for a repayment period that is shorter than the maximum allowed.
  – Make sure to ask your lender about this option when you apply

• You can prepay your loan in part or in full at any time.
  – You won’t be charged any prepayment penalties or fees
Repayment Details

• Monthly payment amounts are based on:
  – Repayment plan selected by borrower
  – Length of payback period
  – Interest rate
  – Minimum payment rules
Repayment Options

• Same four basic types of repayment plans available for loan consolidation
  – Level repayment
  – Graduated repayment
  – Income-sensitive repayment
  – Extended repayment
    • Special eligibility rules apply for this option
    • Your lender will be able to let you know if you qualify
When is the 1st payment due?

• The repayment period begins at disbursement
• Your first payment is due within 60 days after disbursement
• If you consolidate in grace, your grace period ends the day the loan is disbursed
When can you consolidate?

• All borrowers may consolidate:
  – Anytime during the post-school, six-month grace period
    • But you’ll give up any remaining grace period.
    • So ask your lender to hold your application until just before your grace period ends
      – Complete item 26 of Section D.1 on Common Consolidation Application
  – Anytime during repayment
  – During a period of deferment or forbearance
When can you consolidate?

– Borrowers* with at least one Direct Loan or who are attending a DL school may obtain a Direct Consolidation Loan while still in school.

*Special rules apply to borrowers who are delinquent or in default.
What Should I Consider?

• When you can select your consolidation lender, remember:
  – Committing to a long-term relationship with the lender
  – Many, if not most, borrowers can’t reconsolidate under current rules
  – If borrower is in a hurry, current primary lender may be fastest route to consolidation loan
What Should I Consider?

• When you can select your consolidation lender, remember
  – Some consolidation marketers are not the lenders
  – Ask who the lender/loan holder and loan servicer will actually be and whether this can change
  – How will this affect my credit score
What Should I Consider?

• When you can select your consolidation lender, remember
  – Depth and quality of services offered by your lender/loan servicer are important
    • Concierge or online application process
    • Online account inquiry services
    • Customer hotlines
    • Repayment options
    • Combined billing options
    • Borrower benefits
Comparing Borrower Benefits

• When comparing borrower benefits, it pays to read the fine print.
  – Some lenders offer lower discounts or no discounts to loans with balances below $25,000 or $20,000
  – Definitions of late payments can vary
  – In some instances, benefits can be lost if you use a forbearance
Comparing Borrower Benefits

• Evaluate benefit offers carefully
  – A 1% interest rate discount may be more valuable than an up-front principal reduction of 5% (depends on borrower’s timetable for repaying the balance)
  – If uncertain of a benefit’s value, ask your lender/servicer to estimate value of benefit in your situation
Should you consolidate?

• That all depends on your objectives
• Until now, consolidation has primarily been a debt-management tool that can:
  – Reduce your monthly payment
  – Simplify check-writing chores
  – Establish a fixed interest rate
  – Preserve key federal benefits
Advantages of Consolidation

- **Lower monthly payments.**
  - Payment reduction can be as much as 58%!

<table>
<thead>
<tr>
<th>Initial Balance</th>
<th>Standard 10-Year Payment</th>
<th>Consolidation Level Plan Payment</th>
<th>Consolidation Graduated Plan Initial Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$246</td>
<td>$137</td>
<td>$60</td>
</tr>
<tr>
<td>$50,000</td>
<td>$491</td>
<td>$234</td>
<td>$120</td>
</tr>
<tr>
<td>$75,000</td>
<td>$737</td>
<td>$311</td>
<td>$180</td>
</tr>
<tr>
<td>$100,000</td>
<td>$983</td>
<td>$415</td>
<td>$240</td>
</tr>
<tr>
<td>$125,000</td>
<td>$1,228</td>
<td>$519</td>
<td>$299</td>
</tr>
<tr>
<td>$150,000</td>
<td>$1,474</td>
<td>$622</td>
<td>$359</td>
</tr>
<tr>
<td>$200,000</td>
<td>$1,966</td>
<td>$830</td>
<td>$479</td>
</tr>
</tbody>
</table>

Examples assume 10-year standard repayment at 3.37% rate; consolidation rate of 2.875%; and maximum payback period allowed according to balance.
### NYU Stern Examples

<table>
<thead>
<tr>
<th>Outstanding Loan Balance</th>
<th>Stafford 10 yr Repayment</th>
<th>Consolidation Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$265</td>
<td>$137 20 yrs</td>
</tr>
<tr>
<td></td>
<td>Int = $6,820</td>
<td>Int = $7,902</td>
</tr>
<tr>
<td>$50,000</td>
<td>$530</td>
<td>$234 25 yrs</td>
</tr>
<tr>
<td></td>
<td>Int = $13,639</td>
<td>Int = $20,160</td>
</tr>
<tr>
<td>$75,000</td>
<td>$795</td>
<td>$311 30 yrs</td>
</tr>
<tr>
<td></td>
<td>Int = $20,459</td>
<td>Int = $37,021</td>
</tr>
</tbody>
</table>

10 yr repayment uses 5% interest rate. Consolidation repayment uses 2.875% interest rate.

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Consolidation Rate Formula

• Consolidation converts variable rates on Stafford loans to fixed rate based on following formula:
  – Compute weighted-average rate of current rates of loans being consolidated.
  – That’s why borrower’s current status is important.
    • Grace vs. repayment.
    • Deferment vs. forbearance.
Consolidation Rate Formula

- Round weighted-average rate up to nearest 1/8th of a percent.
  • Example: Weighted-average rate of 2.77% rounds up to 2.875% (2 & 7/8%).

- No matter what the weighted-average rate, the fixed consolidation loan rate cannot exceed 8.25%.
What is Weighted Average?

Note: Special rules apply to consolidation loans that include HEAL loans
Loan Status Influences Fixed Rate

- Stafford interest rates are variable interest rates
- The interest rate is reset annually based on federal regulations, effective July 1st of each year
- Loans disbursed on or after 7/1/95 have one rate calculation for in-school, in-grace, and in-deferment status and one rate calculation for in repayment status
  - Lower rate for in-school, in-grace, and in-deferment
    - Rate is .6% lower
Is now the time to lock in rates?

• A lot of borrowers seem to think so.
• Rates are already at all-time lows.
  – T-bill index for July 1, 2004, rate change was 1.07%.
• Current Stafford rates are at their lowest levels ever in history of federal loan program!
What are today’s consolidation rates?

<table>
<thead>
<tr>
<th>Borrower Status</th>
<th>Current Rates* 7/1/04-6/30/05</th>
<th>Potential Consolidation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>In school</td>
<td>2.77%</td>
<td>2.875%</td>
</tr>
<tr>
<td>In grace</td>
<td>2.77%</td>
<td>2.875%</td>
</tr>
<tr>
<td>In repayment</td>
<td>3.37%</td>
<td>3.375%</td>
</tr>
<tr>
<td>In deferment</td>
<td>2.77%</td>
<td>2.875%</td>
</tr>
<tr>
<td>In forbearance</td>
<td>3.37%</td>
<td>3.375%</td>
</tr>
</tbody>
</table>

*Yes, these are all-time low rates for Stafford loans; rates based on formula for Stafford loans issued since July 1, 1998.
Consolidating in grace or deferment locks in lower monthly payment and significant interest rate savings.

<table>
<thead>
<tr>
<th>Initial Balance</th>
<th>Monthly Payment at Grace Rate</th>
<th>Monthly Payment at Repayment Rate</th>
<th>Interest Savings from In-Grace Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75,000</td>
<td>$311</td>
<td>$337</td>
<td>$9,221</td>
</tr>
<tr>
<td>$100,000</td>
<td>$415</td>
<td>$449</td>
<td>$12,295</td>
</tr>
<tr>
<td>$125,000</td>
<td>$519</td>
<td>$561</td>
<td>$15,368</td>
</tr>
<tr>
<td>$150,000</td>
<td>$622</td>
<td>$674</td>
<td>$18,442</td>
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<tr>
<td>$175,000</td>
<td>$726</td>
<td>$786</td>
<td>$21,516</td>
</tr>
<tr>
<td>$200,000</td>
<td>$830</td>
<td>$898</td>
<td>$24,590</td>
</tr>
</tbody>
</table>

Calculations based on in-grace rate of 2.875%, repayment rate of 3.50%. Payment calculations are estimates only.
When should you consider consolidating?

• In-Grace Consolidation
  – Borrower loses any grace period remaining after a consolidation loan is disbursed.
    • Lenders will hold application until end of grace to maximize grace and minimize interest costs.
    • All borrower has to do is request the hold
      – Complete item 26 of Section D.1 on Common Consolidation Application
  – All accrued interest will be capitalized
When should you consider consolidating?

– To request hold, borrower must complete Item 26 of Section D.1 on Common Consolidation Application.

– Remember: To get in-grace rate, the lender must receive application before the end of the grace period.
What if interest rates go up?

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Outstanding Balance</th>
<th>Total Interest</th>
<th>Total Repay Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.875%</td>
<td>$25,000 20 yrs</td>
<td>$7,902</td>
<td>$32,902</td>
</tr>
<tr>
<td>3.875%</td>
<td>$25,000 20 yrs</td>
<td>$10,965</td>
<td>$35,965</td>
</tr>
<tr>
<td>4.875%</td>
<td>$25,000 20 yrs</td>
<td>$14,184</td>
<td>$39,184</td>
</tr>
</tbody>
</table>
What if interest rates go up?

<table>
<thead>
<tr>
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<th>Total Interest</th>
<th>Total Repay Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.875%</td>
<td>$50,000</td>
<td>$20,160</td>
<td>$70,160</td>
</tr>
<tr>
<td></td>
<td>25 yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.875%</td>
<td>$50,000</td>
<td>$28,144</td>
<td>$78,144</td>
</tr>
<tr>
<td></td>
<td>25 yrs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.875%</td>
<td>$50,000</td>
<td>$36,600</td>
<td>86,600</td>
</tr>
<tr>
<td></td>
<td>25 yrs</td>
<td></td>
<td></td>
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<td>$112,021</td>
</tr>
<tr>
<td>3.875%</td>
<td>$75,000</td>
<td>$51,964</td>
<td>126,964</td>
</tr>
<tr>
<td>4.875%</td>
<td>$75,000</td>
<td>$67,886</td>
<td>$142,886</td>
</tr>
</tbody>
</table>
Grace Period Concerns for Perkins Borrowers

- Perkins loans have 9-month grace period, longer than Stafford loans
- Stafford borrowers must apply for consolidation before end of 6-month grace period in order to lock in the grace period rate
- Excluded Perkins loans can be added later
Warning for Perkins/HPSL/LDS Borrowers

- Only subsidized Stafford loans and subsidized consolidation loans keep their interest subsidy benefits.*
  - Other subsidized loans included in a Federal Consolidation Loan will lose their deferment interest subsidy benefits.
  - Borrower should think twice or thrice about including a Perkins, HPSL, or LDS Loan in a consolidation, especially if borrower is able to qualify for economic hardship deferment.
  - Excluded loans can be consolidated later.
Spousal Consolidation Loans

• Regulations allow married couples to consolidate their loans together
  – New rules allow partial discharge in the event of death or total disability of one spouse
• BUT, most borrowers are generally advised not to apply for spousal loans
  – Joint and several liability clause survives divorce.
  – Deferment eligibility is harder to establish
• It is an option, but understand the rules and the implications!
In Deferment Consolidation

• In-deferment consolidation.
  – Borrower must apply before the end of deferment
  – Borrower must re-apply for deferment after the consolidation loan is disbursed
Can consolidation payments be postponed?

• Yes!
• Deferments are available for those who meet eligibility rules.
• Borrowers should apply or re-apply for deferment/forgiveness after consolidation loan is disbursed.
What if you need to postpone your consolidation payments?

• Deferment options include:
  – Unlimited deferment for borrowers who return to school at least half-time.
  – Up to 3 years of unemployment deferment.
  – Up to 3 years of economic hardship deferment.
    • Borrowers must meet income test.
  – You keep valuable interest subsidy benefits on any subsidized FFELP loan you consolidate.
How do borrowers apply?

- Borrower simply completes application.
  - Application process is easy.
  - Apply online at www.smartloan.com
    - Print and mail in –or- e-sign
  - Download application from Internet.
  - Request concierge service from dedicated Consolidation hotline.
    - 1-800-448-3533
How Long to Consolidate?

• Typically, 4-8 weeks.
• Shorter if all loans are with consolidating lender (payoff process is quicker)
• If the borrower is in repayment on any loans being consolidated, keep making payments until the consolidation process is completed
What if you want to prepay your consolidation loan?

• But first decide if that’s really what you want to do
  – Financial planners recommend prepaying loans with highest, after-tax interest rate first
  – Student loan interest may be deductible
  – Credit card interest is not deductible
Tax Advantages of Consolidation

Questions ?? ??