

# Financial Aid Highlights

Financial Aid Highlights is a periodic electronic news update provided by the Office of Financial Aid & Scholarships for the benefit of prospective and continuing CSUB students and parents, high school and community college counselors, faculty, and staff. The electronic publication will contain informational items pertaining to financial aid and scholarships of relevance to the CSUB community. Past issues are archived on the Financial Aid & Scholarships homepage at <http://www.csub.edu/finaid>. Additional information regarding any given topic may be obtained by calling the office at (661) 664-3016.

## Federal Student Loan Consolidation - FAH (Vol. 6, No. 42)

Students are provided the following important information concerning federal student loan consolidation. Student loan interest rates are expected to rise after July 1, 2005. For those student loan borrowers who consolidate prior to July 1, 2005, their loans will be consolidated at the lower current rates.

### What is loan consolidation?

A Consolidation Loan allows you to combine your federal student loans into a single loan with one monthly payment, which can be significantly lower than the payment required under the standard 10-year repayment option. Under the William D. Ford Federal Direct Loan (Direct Loan) Program, the federal government provides the loans; however, under the Federal Family Education Loan (FFEL) Program, banks, secondary markets, credit unions, and other lenders provide the Consolidation Loans.

With a consolidation loan, your payments might be significantly lower, and you can take a longer time to repay (up to 30 years, depending upon your indebtedness). Also, you might pay a lower interest rate than you would on one or more of your existing loans.

Your parents can also get a Direct or FFEL PLUS Consolidation Loan, if they have borrowed multiple Parent Loans for Undergraduate Students (PLUS) during your education.

If you're in "Default" status for non-payment on a federal student loan, you still might be able to consolidate, provided the defaulted loan is not subject to a judgment or wage garnishment.

### What kinds of loans can be consolidated?

Most federal education loans are eligible for consolidation, including subsidized and unsubsidized Direct and FFEL Stafford Loans, SLS, Federal Perkins Loans, Federal Nursing Loans, and Health Education Assistance Loans. Private education loans are not eligible.

If you are interested in applying for a Direct Consolidation Loan, contact the Loan Origination Center's Consolidation Department at 1-800-557-7392. TTY users may call 1-800-557-7395. Or, you can go to <http://www.loanconsolidation.ed.gov>.

For a list of your loans that are eligible for consolidation, contact your lender if you're applying for a FFEL Consolidation Loan.

If you have a combination of Direct Loans and FFEL loans, you must first try to obtain a consolidation loan with the FFEL lender. If your FFEL lender does not offer a Consolidation Loan or a Consolidation Loan with Income Sensitive Repayment terms acceptable to you, and you are eligible for Income Contingent Repayment, you may apply for a Direct Consolidation loan. In addition, if you have more than one FFEL lender, you may apply for a Consolidation Loan with any of your FFEL lenders or through the Direct Consolidation Loan Program.

### What's the interest rate on a consolidation loan?

Currently, the interest rate for both Direct and FFEL Consolidation Loans is a fixed rate for the life of the loan (unlike unconsolidated Direct and FFEL Stafford Loans, which have variable interest rates).

The fixed rate is based on the weighted average of the interest rates on the loans you consolidate, rounded up to the nearest one-eighth of a percent.

**\* If you are considering loan consolidation, please note that Student Loan Interest rates are expected to rise after July 1, 2005. For those who consolidate prior to July 1, 2005, their loans will be consolidated at the current lower rates.**

### **When can I consolidate my loans?**

You can consolidate during your "grace period" (i.e., the period of time after you graduate, leave school, or drop below half-time status before you must begin repayment), once you've entered repayment, or during periods of deferment or forbearance (i.e., approved postponement of loan repayment). If you want to apply for a Direct Consolidation Loan, you can get one while you're in school. Certain conditions apply, so check with the Loan Origination Center's Consolidation Department at 1-800-557-7392. Note that you can't get a FFEL Consolidation Loan while you're in school.

### **How do you get a consolidation loan?**

Direct Consolidation Loan—you (or your parents, for a Direct PLUS Consolidation Loan) can contact the Direct Loan Origination Center's Consolidation Department.

FFEL Consolidation Loan—you (or your parents, for a FFEL PLUS Consolidation Loan) can contact the Consolidation Department of a participating lender for an application and more information. If the same FFEL loan holder holds all the loans that you (or your parents) want to consolidate, usually you must obtain your consolidation loan from that loan holder.

### **Are there any disadvantages to getting a consolidation loan?**

Yes, there could be. For example, consolidation significantly increases the total cost of repaying your loans. Because you can have a longer period of time to repay, you'll pay more interest. In fact, consolidation can double total interest expense. So compare the cost of repaying your unconsolidated loans with the cost of repaying a consolidation loan.

If you consolidate while in school, you will forfeit the benefit of having a grace period before repayment would begin.

### **Where can I get more information on consolidation loans?**

You'll be given more information about loan consolidation during loan entrance and exit counseling sessions you'll receive from your school. You can also contact the holder of your loans, and read more in the publication titled, Repaying Your Student Loans. In addition, you can view the publication online at [http://studentaid.ed.gov/students/publications/repaying\\_loans/index.html](http://studentaid.ed.gov/students/publications/repaying_loans/index.html) or get a paper copy by contacting the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

### **Where can I get more detailed information about consolidation online?**

For even more detailed information, go to <http://www.studentaid.ed.gov>, click on the "Repaying" tab, then click on "Loan Consolidation."

### **How can I view my loan borrowing history online?**

Borrowers may access the National Student Loan Data System (NSLDS) online at <http://www.nslsds.ed.gov> and click on "Financial Aid Review" to view their loan borrowing history.

Ron Radney  
Assistant Director & Direct Loan Coordinator  
Office of Financial Aid & Scholarships