

# **Important Information Regarding Federal Loan Consolidation:**

**Should you consolidate your student loans?** Maybe, there are several things to consider. Congress has changed the terms so that an in-school loan consolidation will not be allowed effective July 1, 2006. Loans issued for the 2006-2007 year will have a fixed interest rate of 6.8%, but interest rates on loans issued prior to that remain variable unless you consolidate. It appears that the rate increase for July 1, 2006 on these variable interest rates will be close to 2%. The actual rate will not be announced until early June.

The interest rates through June 30, 2006 are:

<b>In school and grace</b>	<b>4.7 %</b>	<b>Capped at 8.25%</b>
<b>In repayment</b>	<b>5.3%</b>	<b>Capped at 8.25%</b>
<b>PLUS (Parent Loans)</b>	<b>6.1%</b>	<b>Capped at 9.0 %</b>

Your actual consolidation interest rate will depend on the age (date) of your loans. It is a weighted average of your existing loans. You can further reduce these interest rates by .25% by paying by Electronic Debit Account. You should check with your loan servicer for the current interest rate on your loan(s).

Students who took federal loans since Fall semester 1999 at MSUM, borrowed under the Direct Loan program and are eligible to consolidate under the William D. Ford D. L. Consolidation Program. Information can be obtained by calling **800-557-7392**, or at their web page, <http://loanconsolidation.ed.gov>. The web page contains information about loan consolidation, including a repayment calculator. If you use the web page to consolidate, with your PIN number, you will even be able to sign the new promissory note online.

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## **Information needed for completing the Loan Consolidation application:**

**Direct Loan Lender:** US Dept of Education  
PO Box 5609  
Greenville, TX 75403-5609  
800-848-0979

**Loan Type:** D – Federal Direct Stafford/Ford Loan  
L – Federal Direct Unsub Stafford/Ford Loan

**Loan Holder :** Borrower

**Account Number:** Social Security number dash 1

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*\*\*additional information on outstanding federal loans, including non-Direct federal loans, can be found at: [www.nsls.ed.gov](http://www.nsls.ed.gov)*

There are many private companies offering consolidation of Federal Loans. Some of these companies are doing mass mailings, encouraging you to consolidate by an upcoming deadline (after July 1, you will not be able to consolidate while in school). They may offer repayment incentives, if you make a certain number of payments on time. If you are still a student, you MAY NOT want to use a private company at this time. If you do, **you will lose your grace period AND you will lose the 1 ½ % up front rebate that you were given originally on this loan.** Some private companies allow you to also consolidate alternative, non-federal loans, but at variable interest rates, not fixed. They may also have guarantee fees. Keep in mind that by using Direct Loan Consolidation while you are still a student, you will keep your grace period benefit.

**If you are already in repayment,** and you consolidate, keep in mind that a consolidated loan will set you up with a new, 10 year repayment (or longer) and if your goal is to pay less total interest, continue making the same monthly payments you would have been making to pay off the loan sooner, thus reducing the total interest paid on your loan.

**All students who borrowed from Direct Lending and will be continuing as a student Fall 2006, should ONLY consolidate with the Direct Loan Consolidation program, so that the grace period is not lost. Do not consolidate Perkins Loans.** Changes in the consolidation program take place on July 1, 2006, so before you consolidate a second time, you will need to investigate the interest rate calculations to determine if another consolidation is beneficial.

**If you are currently a student and expecting to graduate May 2006,** your deadline for in school consolidation is May 11<sup>th</sup>, the last day of the spring term.

**Continuing students** can consolidate through June 30<sup>th</sup> but are advised to apply by June 1<sup>st</sup> to avoid an anticipated rush of applications. Loans taken within 180 days of consolidation can be added to the consolidation loan upon request (ex. summer session loans). However, check the impact on the interest rate carefully before doing so.

**Continuing OR graduating students with Direct Loans only** can call (number on page 1) and request an “Express DL Consolidation” – the application will be pre-filled and mailed to you for your signature.

**If you are a parent PLUS loan borrower,** you also can consolidate to lock into a fixed interest rate. Parents who borrowed from Direct Loans, can use the William D Ford Consolidation program, or any of the many private consolidation programs (a list of reputable lenders can be found on the Financial Aid website at [www.mnstate.edu/finaid](http://www.mnstate.edu/finaid)).

Once you consolidate a loan, you cannot consolidate again unless you have additional loans. Review your options, do some research, and make the best decision for you!

**REMEMBER--If you consolidate a Federal Direct Loan with another lender other than the Direct Loan Program, you will lose the 1 ½ % up front rebate that you were given originally on this loan as well as your 6 month grace period.**