

# Loan Consolidation for PLUS Borrowers



## Consolidate today to save money and take advantage of benefits!

Many borrowers choose to consolidate their education loans through the Federal Family Education Loan (FFEL) Program because it can provide long-lasting benefits, including a lower monthly payment and a fixed interest rate. However, on July 1, 2006, several regulatory changes will go into effect that will impact new consolidation loans.

*As a PLUS borrower, you may want to apply for a consolidation loan now, even if your child has not completed their academic program.*

**Please read the information below to ensure you understand how the timing of your application will impact the terms and benefits of your new consolidation loan.**

## Loan Consolidation Advantages/Disadvantages

### ADVANTAGES

- ▶ Consolidation eliminates multiple payments to multiple lenders or servicers, giving you a new loan with one holder and a single monthly payment.
- ▶ May provide an opportunity to lock in a low interest rate.
- ▶ Consolidation may allow an extended repayment period, depending on total debt. This usually means a lower monthly payment.

### DISADVANTAGES

- ▶ Consolidating your current loans over a longer repayment term will increase the total amount of interest paid on your outstanding debt, and therefore increases your total overall amount repaid.
- ▶ You may lose incentives offered by your current lender; review the terms of your consolidation loan carefully.

## FREQUENTLY ASKED QUESTIONS

### Who is eligible to consolidate PLUS loans?

- ▶ As a FFEL borrower, if you have loans that have been fully disbursed, you are eligible to consolidate them. If you have multiple PLUS loans—whether for one child or multiple children—you may consolidate them into one loan. You may also consolidate your own federal student loans with PLUS loans you've taken out on behalf of your children, however, you may not consolidate PLUS loans with your children's federal student loans. (In other words, PLUS loans can be consolidated with other federal student loans issued to the same borrower.)

### When is the best time to consolidate PLUS loans?

- ▶ You do not have to wait until your student graduates. You may want to consider the option to consolidate your PLUS loans prior to July 1, 2006. On that date, interest rates for PLUS loans are expected to increase. Only PLUS loans that have been fully disbursed may be consolidated.

### What will the interest rate be if I consolidate my PLUS loans?

- ▶ The interest rate on your new consolidated loan will be the current weighted average of the loans you are including in the consolidation, rounded up to the nearest one-eighth percentage.

### Will I pay any up front loan fees to consolidate PLUS loans?

- ▶ No, there are no fees charged and there are no prepayment penalties if you are able to repay your consolidation loan early.

### Why consolidate now?

Consolidating your PLUS loans now will save you money! The current interest rate on PLUS loans is 6.1%. After June 30, 2006, this rate will likely increase (The maximum rate is 9%). Since loan consolidation allows you to lock in an interest rate, if you consolidate now, before the PLUS loan rates increase, you will save yourself money in the long run.

TIMING OF PLUS CONSOLIDATION LOAN	AMOUNT CONSOLIDATED	INTEREST RATE*	REPAYMENT TERM**	MONTHLY PAYMENT
Consolidated prior to 7.01.06	\$10,000	6.1%	10 years	\$111.52
Consolidated <b>on or after</b> 7.01.06 (using maximum interest rate)	\$10,000	9.00%	10 years	\$126.68
Consolidated prior to 7.01.06	\$60,000	6.1%	30 years	\$363.60
Consolidated <b>on or after</b> 7.01.06 (using maximum interest rate)	\$60,000	9.00%	30 years	\$482.77

\* See FAQs for more information about how consolidation loan interest rates are calculated.

\*\* Your repayment term length is based on your total education debt.

## Loan Consolidation for PLUS Borrowers



### Can I apply for a PLUS consolidation loan through any lender?

- ▶ If you have FFEL loans through more than one lender, then you may choose to consolidate your loans through any FFEL consolidation lender. However, if all your FFEL loans are with a single lender, you must consolidate with that lender. You may be able to bypass the single-holder rule. Talk to your preferred lender for more information.
- ▶ Be wary of direct mail solicitations from lenders. Contact your lender first, before proceeding with any consolidation process.

### How long does it take once I apply for the PLUS consolidation loan?

- ▶ As a general rule, it can take anywhere from 30 days to 90 days to complete your loan consolidation application.
- ▶ Be sure to continue to make your current monthly payments on any loans until you've been notified that your new consolidation loan is complete.
- ▶ Or, you may request a deferment or forbearance during the time your loan consolidation application is being processed.
- ▶ Contact your lender or servicer for assistance.

### When is the first payment due once the PLUS loan consolidation is completed?

- ▶ Once your PLUS loans are consolidated your first payment will be due within 60 days.
- ▶ There is **not** a six-month grace period for PLUS loans or for consolidation loans.

### Will I be required to make payments on the PLUS consolidation loan while my child finishes his/her degree?

- ▶ Just like your original PLUS loans, your PLUS consolidation loan will **not** have a grace period, therefore it will go into repayment status upon consolidation.
- ▶ The PLUS consolidation loan may be deferred if you (the PLUS borrower) are attending school at least half time. In this case, the interest on the PLUS loan will be capitalized during deferment.
- ▶ Check with your lender for other deferment or forbearance options.

### Can I continue to borrow money to pay for college for my child(ren) after I have consolidated my current PLUS loans?

- ▶ Yes, as long as you meet the program eligibility requirements, you may continue to borrow to pay for education-related expenses. (Keep in mind that any new PLUS loans that are disbursed to you on or after July 1, 2006 will have an 8.5% fixed interest rate.)

### If I already have a consolidation loan can I re-consolidate my PLUS loans?

- ▶ You are eligible to re-consolidate your loans if you have borrowed a new loan that is not part of your original loan consolidation or you had a qualifying loan that was not included in the prior consolidation.
- ▶ You cannot reconsolidate simply to lock in a lower interest rate.

### I defaulted on one of my federal loans. Am I still eligible to consolidate?

- ▶ Yes. Generally, you are eligible to consolidate your defaulted loans if you have made three consecutive voluntary and on-time monthly payments. Contact your guarantor and lender for more information.
- ▶ Also, you can consolidate through the Direct Loan Program at any time if you agree to participate in the income-contingent repayment plan.

For assistance or clarification on consolidation questions, contact your lender.

Or you may call EdFUND, provider of loan guarantee services, toll free at 877.2EdFUND (877.233.3863).



Effective date: 5.01.06

Loan consolidation requirements will change beginning July 1, 2006 so be sure to check with your lender for complete information regarding your loan options.