

Loan Consolidation Newsletter for Current Allegheny Students

Interest rates on Federal Stafford Loans have been at historic lows for the past few years, but that trend is changing. Interest rates are expected to increase significantly on July 1, 2006. In the next few months the average student loan borrower has an opportunity to save thousands of dollars in interest on their loans by consolidating before the upcoming interest rate increases.

Students may act now to avoid the rate hike by consolidating their current Federal Stafford Loans by locking in a fixed rate of 4.75% for the lifetime of their loans. Existing Stafford Loans that are not consolidated will have a variable rate after July 1st with a rate cap at 8.25%. This rate increase makes it particularly important for students in an in-school status to consider consolidating. Effective July 1st in-school borrowers will no longer have the option to consolidate their loans while enrolled. All new Stafford loans disbursed after July 1st will have a fixed 6.8% interest rate.

Student loan consolidation helps borrowers manage their student loan repayment by combining their eligible loans into a single, new federally guaranteed loan. Students have the ability to secure additional benefits, such as interest rate reduction, cash back rebates, and a single monthly payment. Consolidation allows borrowers with high balances to extend their repayment term up to 30 years to make their payments more manageable. They may elect a standard (equal-installment), graduated extended, or income sensitive repayment option. Deferment and forbearance options are also available. Borrowers must have a minimum balance of \$5,000 to consolidate their loans. There are no application fees, no prepayment penalties, or credit checks.

In-school borrowers may accelerate their eligible loans into repayment for the purpose of consolidating them. Borrowers can request that their loans be put back into in-school deferment. While students *forfeit* their grace period on the consolidation loan, they are able to lock in today's low rates.

Students should consider carefully whether they want to consolidate the Federal Perkins loan with the Stafford loan because there are some disadvantages. For example, they may lose some discharge benefits offered under this loan program. A discharge releases the student from all obligations to repay the loan. Examples of Perkins cancellation conditions are listed at www.mapping-your-future.org, select Financial Fitness Tools", then "Loan Forgiveness". Also, the interest rate on the Perkins loan is already at a fixed 5% for the life of the loan.

If a student receives additional Stafford loans, they are able to reconsolidate the new loans with existing loans after graduation. The new loan rate would be the weighted average of the existing consolidation loan and the current rate of the new Stafford loans rounded to the nearest 1/8 percent.

A student with one lender for all their Stafford loans must consolidate with that lender. For example, if a student chose PNC Bank as the lender in their freshman year and signed a Master Promissory Note, then PNC would have been the lender for all Stafford loans. In this case, the

student must consolidate with PNC, which utilizes American Education Services (AES) as the servicer on their loans.

Once loans have been consolidated, the consolidation cannot be undone because the loans that were consolidated have been paid off and no longer exist. For that reason, it is important to take your time to study your consolidation options before you apply.

- ❑ For a listing of your Federal Loans log onto www.nslds.ed.gov and select Financial Aid Review then follow the prompts. You will need your U.S. Department of Education Pin Number.
- ❑ Contact your loan holder or servicer.
- ❑ Request to have your existing Stafford Loans be put into early repayment.
- ❑ Request an in-school deferment from your lender.
- ❑ Submit your loan consolidation application by July 1st.

Phone Numbers you may need:

Perkins Loan: Student Accounts Office.....800-376-7075
Allegheny College
OR
ACS.....800-826-4470

Stafford Loan:

CitiBank uses AES.....800-338-5000
Keybank uses AES.....800-338-5000
Keystone Rewards/Best uses AES....800-338-5000
National City Bank uses AES.....800-338-5000
PNC Bank uses AES.....800-338-5000
Sallie Mae.....888-272-5543

Other Lenders: Contact bank or credit union directly for service number.

Alternative Loans:

CitiAssist	CitiBank	800-967-2400	www.studentloan.com
GATE	AES	800-233-0557	www.aessuccess.org
Key Alternative	Great Lakes	800-236-4300	www.key.com
Resource Loan	PNC Bank	800-762-1001	www.eduloans.pncbank.com
Signature Loan	Sallie Mae	800-441-7420	www.salliemae.com
TERI	AES	800-233-0557	www.teri.org

Other Numbers: Ombudsman 877-557-2575 or 202-377-3800
www.ombudsman.ed.gov

Helpful Websites:

www.nslds.ed.gov
www.acs-education.com
www.pheaa.org
www.aessuccess.org
www.sfahelp.ed.gov