

## Loan Consolidation Newsletter for Allegheny Class of 2006

Interest rates on Federal Student loans have been at historic lows for the past few years, but that trend is changing. On July 1, 2006 interest rates are set to increase significantly. 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 Federal Stafford loans and locking in a fixed rate of 4.75% for the duration of repayment instead of the projected 6.39% after July 1<sup>st</sup> and 6.99% in repayment. This rate increase makes it particularly attractive for the Class of 2006 to consolidate their loans in the short window between graduation and July 1<sup>st</sup>.

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.

There are some disadvantages to consolidating, such as having to *forfeit* some of the grace period and going into early repayment. However, for students not yet employed, they still have unemployment deferment, an unlimited in-school deferment, and an economic hardship deferment, as well as forbearances, if they run into trouble in repayment.

Students should consider carefully whether they want to consolidate the Federal Perkins loan with the Stafford loan because 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 in the Federal Perkins exit loan counseling session. Also, the interest rate on the Perkins loan is already at a fixed 5% for the life of the loan.

If a student attends graduate school and 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 their 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. So take your time to study your consolidation options before you apply.

- ❑ Your loan totals were included in your exit packet or can be viewed online at [www.nsls.ed.gov](http://www.nsls.ed.gov), 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.
- ❑ Submit your loan consolidation application by July 1<sup>st</sup>, 2006.

**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 | <a href="http://www.studentloan.com">www.studentloan.com</a>           |
| GATE            | AES         | 800-233-0557 | <a href="http://www.aessuccess.org">www.aessuccess.org</a>             |
| Key Alternative | Great Lakes | 800-236-4300 | <a href="http://www.key.com">www.key.com</a>                           |
| Resource Loan   | PNC Bank    | 800-762-1001 | <a href="http://www.eduloans.pncbank.com">www.eduloans.pncbank.com</a> |
| Signature Loan  | Sallie Mae  | 800-441-7420 | <a href="http://www.salliemae.com">www.salliemae.com</a>               |
| TERI            | AES         | 800-233-0557 | <a href="http://www.teri.org">www.teri.org</a>                         |

**Other Numbers:** Ombudsman 877-557-2575 or 202-377-3800  
[www.ombudsman.ed.gov](http://www.ombudsman.ed.gov)

**Helpful Websites:**

- [www.nsls.ed.gov](http://www.nsls.ed.gov)
- [www.acs-education.com](http://www.acs-education.com)
- [www.pheaa.org](http://www.pheaa.org)
- [www.aessuccess.org](http://www.aessuccess.org)
- [www.sfahelp.ed.gov](http://www.sfahelp.ed.gov)