

## MEET THE CHALLENGE

The thought of paying back your student loans can be overwhelming. Whether you ultimately choose to consolidate your loans or not, it is a challenge you are up to. After all, if it weren't for your loans, you would not have been able to afford college or experience the benefits that come with your education.

### Here to Help

Great Lakes Higher Education Guaranty Corporation is here to help you through your education and beyond. As a nonprofit, we work with lenders, servicers, and schools to make every phase of the student loan process work better for you. We also work with millions of student loan borrowers, so we understand that paying back your loans can sometimes be a challenge. We want your experience repaying your loans to be successful so you can reap the financial rewards of your education.

Visit [mygreatlakes.org](http://mygreatlakes.org) for more information. To view a complete listing of your federal student loans, visit the National Student Loan Data System (NSLDS) at [nslds.ed.gov](http://nslds.ed.gov).

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## CONSOLIDATION LOANS



## MAKING YOUR LOANS WORK FOR YOU

Consolidating your federal student loans is one way to simplify your payments and manage your debt. It lets you combine all of your federal student loans into a single loan with a fixed interest rate. The interest rate of the new loan is based on the weighted average of the interest rates of the loans you're consolidating, rounded up to the nearest 1/8 percent, never exceeding 8.25%.

Consolidation may or may not be right for you. Make sure you consider all of the trade-offs before making a decision.

### The Advantages

**Convenience.** Because all of your loans are combined into one loan from a single lender, you have only one payment to make each month.

**Repayment Period.** Depending on how much you owe, you may be able to take up to 30 years to pay off your loan.

**Lower Monthly Payments.** If you extend your repayment period, you can lower your monthly payments considerably, leaving you with more disposable income each month.

**Repayment Flexibility.** Consolidation loans offer many of the same deferment and forbearance options that are available with other federal student loans.

**No Credit Checks or Fees.** You don't need a credit check to get a Consolidation loan, and there are no fees or prepayment penalties.

**Fixed Interest Rate.** If you have variable rate loans, you can lock in today's low interest rates.

### The Trade-offs

**Total Cost.** The longer you take to pay off a loan, the more interest you pay in the long run.

**No Grace Period.** A Consolidation loan doesn't have a six-month grace period before your first payment is due.

**Higher Interest Rate.** Your interest rate will increase slightly when your weighted average is rounded up.

**Loss of Benefits.** You can lose eligibility for subsidized interest, deferment, or loan forgiveness benefits if you consolidate certain loans, such as Perkins or Nursing loans.

### Alternatives to Consolidation

Ask your lender how the alternatives below can help you achieve a manageable monthly payment without the trade-offs of consolidation.

**Extended Repayment.** Extended repayment offers lower monthly payments without your rate being rounded up. This plan extends your loan term to 25 years. You qualify if you are a new borrower on or after October 7, 1998, with an outstanding balance of principal and interest in Federal Family Education Loan Program (FFELP) loans that totals more than \$30,000.

**Income-based Repayment.** Income-based repayment offers a payment amount tied to how much you make. To be considered for this repayment plan, you must meet certain income and family size requirements. You'll also need to reapply each year. At the end of 25 years, any remaining balance may be forgiven.



## IF YOU DECIDE TO CONSOLIDATE

**1. Determine if you're eligible.** You are eligible if you have federal student loans that have entered a grace period or are in their repayment period.

**2. Identify the loans you want to consolidate.**

Most federal student loans can be consolidated, but you can't consolidate private loans. Also, you can only consolidate federal student loans that are from the same borrower. PLUS loans your parents took out for you, or your spouse's student loans, cannot be included.

**3. Gather information.** Locate information about each of your loans, such as the loan holder, interest rate, and payoff amount. To find this information, you can check [nslds.ed.gov](http://nslds.ed.gov), contact your loan holder directly, or check your credit report.

**4. Decide on a plan.** Choose the payment plan that fits you the best:

- **Standard.** Equal monthly payments for 10 years.
- **Graduated.** Payments that start out lower and gradually increase over the life of the loan.
- **Extended.** Fixed or graduated payments over 25 years.
- **Income Sensitive.** Payments that are based on the amount of your monthly income, increasing over time as your income increases.
- **Income-based.** Reduced monthly payments if you demonstrate a financial hardship (based on loan debt, income, and family size), with eligibility re-evaluated each year.

Your lender may offer additional options. Keep in mind that you may choose any of these repayment plans—you're not obligated to choose extended repayment.

The chart below lists the available terms for various levels of student loan debt. Your total debt includes all student loans, even loans you can't consolidate, such as private loans.

Total Debt	Repayment Term
Less than \$7,500	10 years
\$7,500 to \$9,999	12 years
\$10,000 to \$19,999	15 years
\$20,000 to \$39,999*	20 years
\$40,000 to \$59,999	25 years
\$60,000 or more	30 years

\* A "new borrower" on or after October 7, 1998, with an outstanding balance of principal and interest in Federal Family Education Loan Program (FFELP) loans totaling more than \$30,000, may select an extended repayment schedule that allows for a repayment period not to exceed 25 years. A new borrower is defined as a borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.

**5. Choose a consolidation lender.** You can choose to consolidate with any lender that offers a Consolidation loan program. Check with your current lenders first. Some lenders may offer benefits such as an interest rate reduction if you sign up for electronic payments and/or after you make a set number of on-time payments. Keep in mind that borrower benefit programs may vary between lenders so it pays to shop around.

**6. Apply.** If you decide a Consolidation loan is the right option for you, complete an application, which is available from your lender. Many lenders offer online applications. You can also call (800) 950-0152 to speak with a Consolidation loan counselor at Great Lakes. Remember that applying for a Consolidation loan does not mean you are obligated to borrow the loan.

## PAYING BACK YOUR LOAN

As you get ready to pay back your Consolidation loan, keep these things in mind.



### Making Payments

Consolidation loans don't have grace periods. Payments start right after the loan is made, usually within 60 days.

The amount of your monthly payment depends on the amount of your Consolidation loan, the interest rate, and the plan you select. If you have trouble making your monthly payments, contact your loan holder right away. They can tell you about options that can help you manage your loan.

### Consequences of Default

Failing to pay back a Consolidation loan (defaulting) will cause you to lose benefits like deferments and forbearances. You also won't be able to receive financial aid in the future, which can limit your options for returning to college.

Defaulting on your loan also means that collection agencies may call you at home and at work, and the IRS may withhold your tax refunds. Your credit rating will also suffer, making it more difficult and costly to get new credit cards, car loans, and mortgages.

## THE COST OF LOWER PAYMENTS

One reason many borrowers take out a Consolidation loan is the availability of a longer repayment term, which can lower your monthly payments and increase your monthly cash flow, as shown below. But you'll also pay substantially more interest in the long run.

WITHOUT CONSOLIDATION			WITH CONSOLIDATION			
Initial Loan Balance	Monthly Payment (10-year Repayment Term)	Total Interest Paid	Extended Term	Standard Consolidation Payment Plan		
				Monthly Payment	Reduction in Monthly Payment	Total Interest Paid
\$10,000	\$115	\$3,810	15 years	\$89	25%	\$6,054
\$25,000	\$288	\$9,524	20 years	\$192	38%	\$21,068
\$50,000	\$575	\$19,048	25 years	\$349	45%	\$54,823
\$100,000	\$1,151	\$38,096	30 years	\$657	49%	\$136,495

\* Table calculations assume an interest rate of 6.8% without consolidation and a rounded-up interest rate of 6.875% with consolidation. A lower interest rate reduces monthly payments, while a higher interest rate increases them.

To estimate the monthly payment and interest rate of your Consolidation loan, use the Federal Loan Consolidation Calculator in the Borrowers section of [mygreatlakes.org](http://mygreatlakes.org).

Keep in mind that if you decide to go back to college and take out additional federal student loans after you consolidate, you can consolidate again.