LOAN CONSOLIDATION

An Attractive Debt Management Tool Combining Low Interest Rates With Convenience and Flexibility!

A lower fixed rate consolidation loan may help manage student loan payments. Transitioning into working life and managing finances can be overwhelming, especially after graduation when the grace period ends on student loans and payments become another financial responsibility. However, there is a solution available for graduates, and students still in school, to help manage these payments — loan consolidation.

Consolidation as an Effective Debt Management Tool
Consolidation of one or more student loans creates a single new loan with a fixed interest rate. This is attractive for three primary reasons:

♦ **Fixed Interest Rate** — Consolidation turns a variable rate loan(s) into a fixed rate loan. A consolidation loan’s fixed interest rate is based on the weighted average of current interest rates of the loans consolidated. This is an important benefit because of the current rising interest rates. By consolidating now, borrowers are safeguarded against future annual interest rate adjustments and protected from potential increases in monthly payments as a result of these adjustments.

♦ **Single Point of Contact Convenience** — Consolidation provides the convenience of a single point of contact for customer service and only a single monthly payment to make. This benefit allows borrowers to keep track of their loan debt easier.

♦ **Lower Monthly Payments** — Consolidation often enables a borrower to lower their monthly payments by extending their payment term beyond the maximum 10-year period. For borrowers who need to reduce monthly payments to help meet other day-to-day living expenses, the choice of an extended or graduated repayment plan can be attractive. Borrowers should note that this option often is usually more expensive in the long run.

♦ **Tax Deductible** — Under certain circumstances, interest on student loans may be tax deductible.

♦ **No Fees** — Under the Direct Loan Consolidation Program, there are no application fees or prepayment penalties.

Options Available through the U.S. Department of Education, Direct Consolidation Loan Program

**In-school Direct Loan Consolidation** — Borrowers who are still enrolled in school may be eligible for an in-school direct consolidation loan. Borrowers qualify for an in-school consolidation under the following guidelines:

♦ Borrowers have at least one Federal Stafford or a Direct Loan with an “in-school” status, and they attend a school participating in the Direct Loan Program.

♦ Borrowers who do not attend a participating school may be eligible as long as they have at least one Direct Loan.

Under the program, borrowers who consolidate while in school still receive a 6-month grace period.
**Unique Flexibility** — Borrowers are afforded the unique flexibility to consolidate more than once, except in certain cases where previously defaulted loans are involved.

- There are no restrictions on the number of loans or loan amounts.
- Flexible payment options include the ability to reduce your interest rate by an additional $\frac{1}{4}$ percentage point through Electronic Debit Account (EDA), providing additional cost savings and debt management.

For qualified borrowers seeking more flexibility in addition to all the common benefits of consolidation, a new consolidation loan through the Direct Consolidation Loan Program is worth considering. Borrowers who are still in school can also obtain more information from a financial aid counselor or a loan services office.

For more information or to simply apply for a Direct Consolidation Loan, call 1-800-848-0979 (TDD 800-848-0983) or go to [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov).

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