

# CONSOLIDATION LOANS

---

## What is a consolidation loan?

Consolidation combines all eligible federal education loans (such as Stafford, GradPLUS and Perkins) into one new loan to give the borrower a longer repayment term with one monthly payment at a fixed interest rate.

However, a longer repayment term (up to thirty years, based upon the amount of the outstanding balance of eligible loans added together) will mean more interest paid over the life of the loan.

A borrower can only consolidate eligible federal education loans ONCE. A consolidation loan cannot be refinanced. But if a new federal education loan is incurred after consolidating, then the new loan and the existing consolidation loan can be combined into a new consolidation loan. Ask your consolidating lender to run the numbers. It may be in your best interest not to add any existing consolidation loans.

## How do I select a consolidation lender?

### 1. ASK FOR AN EXPLANATION OF BORROWER BENEFITS

All consolidation lenders must use the federal government's formula for determining the interest rate on your consolidation loan. BUT, lenders will offer you borrower benefits to help you reduce the cost of the loan when you meet certain criteria. Look for borrower benefits that include an interest rate reduction when you make your monthly payments by automatic debit, an interest rate reduction when you make a specified number of monthly payments on time and consecutively, or a rebate when you achieve a specified number of on-time, consecutive payments.

### 2. ASK IF THE LENDER SELLS THEIR LOANS

If so, the borrower benefits you are offered may not transfer when the loan is sold

### 3. ASK YOUR LENDER FOR THE NAME OF YOUR LOAN SERVICER

It is important to know who will service your consolidation loan since that will be the entity you will contact when you have questions about repayment. It is not advisable to consolidate with a lender who cannot provide servicer information.

### 4. ASK IF THE LENDER WILL ALLOW YOU THE USE OF YOUR GRACE PERIOD

Some lenders allow you to enjoy full use of your grace period for your consolidation loan. (Your grace period is the six-month period starting with your date of graduation/separation wherein you are not required to make payments on your Stafford loans).

### 5. DETERMINE THE BEST OPTIONS FOR YOUR PERSONAL SITUATION

Discuss your options with the lenders you are considering for consolidation. Do not sign a consolidation loan application until you are certain you have chosen the right lender for your circumstances. The federal government has ruled that consolidation borrowers must not have more than one consolidation loan application in process at a time.

## How do you determine what is right for your circumstances?

Call the **Edamerica Consolidation Hotline** to discuss your personal situation without obligation! You will find out your interest rate, possible loan forgiveness opportunities, and whether or not consolidation is right for you.

**Consolidation Hotline**

**866-425-2473**

