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Consolidation Loan Information Sheet

What is student loan consolidation?

Through a Federal Consolidation Loan, you can combine your student loans into a single new loan and make one affordable payment each month. Here's how it works: Ascend Federal Credit Union pays off your existing student loans and consolidates your debt. Generally your repayment period is extended; your monthly payment is reduced, and your bookkeeping is simplified.

The total of your loans to be consolidated is used to calculate your repayment term. The calculation gives you the longest possible repayment period, which usually means significantly lower monthly payments. However, a longer repayment term also means you pay more interest over the life of the loan.

The good news is that you can turn what are essentially variable-rate loans into one loan with a fixed rate. Under federal law, most student loans have variable rates until they are consolidated or refinanced. In the current low-interest rate environment, you can consolidate your existing student loans to lock in a lower rate.

There is no penalty for prepayment, no matter which repayment plan you choose. In fact, we encourage prepayment, so you can reduce the total amount of interest you pay.

Am I eligible for a Federal Consolidation Loan?

You must meet the following criteria to qualify for a Federal Consolidation Loan:

- ❖ You must be out of school and in a grace or repayment status.
- ❖ If you are a parent borrower, you may consolidate your loans at any time, regardless of your child's enrollment status.
- ❖ You must certify that you do not have another consolidation loan application pending with another lender.

How is the interest rate on a Federal Consolidation Loan calculated?

The interest rate on your Consolidation Loan is the weighted average of the loans being consolidated rounded upward to the nearest 1/8th of a percent and capped at 8.25%. This interest rate is fixed for the life of the loan.

Student Loan Consolidation Interest Rate Calculation

Consolidation loans have a fixed interest rate for the life of the loan. Interest rates are federally mandated and are determined by taking a weighted average of your individual loans and rounding that up to the nearest eighth of a percent. This will be your consolidation loan's fixed rate. Any loan with a reduced interest rate will be calculated at the standard rate. For example, if your PLUS loan currently has a reduced interest rate of 7.50% as opposed to the standard rate of 8.50%, the standard rate will apply in the calculation of your consolidation loan interest rate.

How long is the payback period for a Federal Consolidation Loan?

More time to repay your student loan debt--only one of many consolidation loan benefits that can mean more manageable monthly payments.

Amount Consolidated	Maximum Term
less than \$7,500	10 years
\$7,500 - \$9,999	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000 or greater	30 years

The total of the loans to be consolidated is used to calculate your repayment term. This calculation gives you a longer repayment period, which usually means significantly lower monthly payments. However, a longer repayment term also means you pay more interest over the life of the loan.

Why should I consolidate my education loans?

By consolidating your educational loans, you can lower your monthly payment by extending the term beyond the standard 10-year payback schedule. Your payback may be extended up to 30 years depending on the amount of your educational debt.

Benefits:

- ❖ You can eliminate the need to make multiple payments with different lenders or services by consolidation.
- ❖ Consolidation allows you to lock in your interest rate over the life of the loan. Interest rates on Stafford and Direct loans disbursed prior to July 1, 2006 are variable and are adjusted annually.
- ❖ If you consolidate while in your grace period, you can significantly reduce the interest cost. Your interest rate will be based on your in-grace interest rate which could be up to 0.6% lower than the interest rate in repayment.
- ❖ The Federal Government will continue to offer interest subsidy benefits for any subsidized FFELP or subsidized Direct loans included in the consolidation loan.

Do Federal Consolidation Loans require a minimum balance or number of loans?

There is no minimum balance requirement by Ascend Federal Credit Union.

Is there a minimum monthly payment?

Federal Regulations state that your monthly payment for your student consolidation loan must be at least \$50.00 per month.

What loans are eligible for student loan consolidation?

The following types of loans can be consolidated:

- ❖ Federal Insured Student Loans (FISL)
- ❖ Federal Stafford Loans
- ❖ Federal PLUS Loans
- ❖ Federal SLS
- ❖ Health Professions Student Loans (HPSL)
including Loans for Disadvantaged Students (LDS)
- ❖ Perkins Loans
- ❖ Nursing Student Loans (NSL)
- ❖ Federal Direct Subsidized and Unsubsidized Stafford Loans
- ❖ Federal Direct PLUS Loans
- ❖ Existing Consolidation Loans
- ❖ Health Education Assistance Loans (HEAL)

What loans cannot be consolidated?

- ❖ Private loans may not be included in a Federal Consolidation Loan.
- ❖ Loans more than 90 days delinquent may not be included. You must make satisfactory repayment arrangements in order for these loans to be considered eligible.
- ❖ Parent PLUS Loans can not be consolidated with their Student's Educational Loans.
- ❖ Federal Consolidation Loans are not eligible to be reconsolidated unless you have another loan that was not included in the initial Consolidation Loan.

Can I consolidate my subsidized loans with my unsubsidized loans?

Subsidized and unsubsidized loans must remain separate so you can retain subsidy benefits on the subsidized portion of your consolidation loan.

Can I include Federal Direct Loans in my guaranteed Federal Consolidation Loan?

Yes. Direct loans are eligible to be consolidated into the Federal Consolidation Loan program. Borrowers who have both Direct Stafford loans and FFEL Stafford guaranteed loans may combine them under a guaranteed Federal Consolidation Loan. However, subsidized and unsubsidized loans must remain separate so you can retain subsidy benefits on the subsidized portion of your consolidation loan.

How can I get a Federal Consolidation Loan?

A Federal Consolidation Loan is a valuable repayment tool that benefits nearly all borrowers. There are no complicated forms to fill out, no credit checks are required, and best of all, your loans are consolidated free of charge. You can contact the Student Loan Department at Ascend Federal Credit Union to request a consolidation loan application or stop by your local branch and ask any Member Service Representative for one.

What if my lender does not offer Federal Consolidation Loans?

If your current lender does not offer a consolidation program, you may contact the Student Loan Department at Ascend Federal Credit Union for further information on eligibility of consolidating with us.

How long does student loan consolidation take?

Ascend Federal Credit Union's program typically requires four to eight weeks for processing when loans being consolidated are at other institutions. If all loans to be consolidated are with Ascend Federal Credit Union, processing time can be less than one week. If you are in a repayment status, you should continue making payments on your existing loans until your consolidation loan is processed. The first payment on your Federal Consolidation Loan is due within 30 - 45 days of the disbursement of the loan.

Is a credit check required for student loan consolidation?

No. Guaranteed consolidation loans do not require credit checks for student or parent borrowers.

When does repayment begin?

You are required to begin making payments on your student consolidation loan 30 - 45 days after disbursement.

Do Federal Consolidation Loans offer a grace period before repayment begins?

Once you consolidate your educational loans, you are required to begin making payments within 30 - 45 days of disbursement. If you consolidate while still in your grace period, you will lose any remaining period of grace that you have left.

However, if you are in your grace period, you have the ability to delay processing of your consolidation loan until the end of your grace period. In order to take advantage of this opportunity, you must identify your grace period end date on Page 2 of the Federal Consolidation Application.

Can I arrange a shorter payback period for my student loan consolidation than the maximum allowed?

Yes. When submitting your student loan consolidation application, you may request a shorter payback period by simply putting in writing your specified repayment term. By arranging a shorter payback period, you will significantly reduce your long-term interest costs. There are no prepayment penalties with Ascend Federal Credit Union.

Is there a prepayment penalty?

There is no penalty for prepayment no matter which plan you choose. In fact, we encourage prepayment so you can reduce the total amount of interest you pay.

What about deferment benefits?

Student Loan Consolidation Deferment Options:

- ❖ In School (full time or at least half time)
- ❖ Graduate Fellowship
- ❖ Rehabilitation Training
- ❖ Unemployment
- ❖ Economic Hardship

To be entitled to a deferment, you must qualify for one. To qualify, you must submit the proper paper work to Ascend Federal Credit Union.

What is the interest rate charged on a Federal Consolidation Loan during a period of deferment or forbearance?

The rate charged on a Federal Consolidation Loan during a period of deferment or forbearance remains the same as the interest rate charged during repayment.

Can my spouse and I consolidate our education loans?

Due to changes made by the Federal Government, married couples will no longer be eligible to consolidate their student loans together effective July 1, 2006. Any spousal consolidation applications must have been received by the lender no later than June 30, 2006.

What happens after my student loan consolidation application?

Ascend Federal Credit Union will process your loan application and contact your other student loan lenders to determine the total loan balance, interest rate and maximum repayment period for the consolidation loan. Ascend Federal Credit Union completes the paperwork with your other lenders, pays off your old loans and issues the new Federal Consolidation Loan.