



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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www.Edfed.com

Step-By-Step Guide to Consolidating Your Federal Student Loans Successfully

Federal student loan consolidation might be a foreign concept to many students as there are very few educational resources on the subject. However, there is no lack of marketing by consolidation companies to students. Marketing tactics are relentless and, at times, illegal. Recently, New York Attorney General Andrew Cuomo began investigating the lending and marketing practices of several student loan companies, as well as the relationships between student loan companies and schools.¹ Findings included the uncovering of revenue-sharing agreements between student loan companies and universities.² With so many deceptive practices by both student loan companies and schools, students must educate and protect themselves. In order to assist you as you maneuver through the sales pitches and incentives, this article provides a step-by-step guide to consolidating your federal student loans successfully.

Step 1 – Keep *all* statements

It is crucial that you keep every single piece of paper you receive from every lender you have loans with. Even if it seems unimportant, keep it! During school, with classes, exams, essays, research, and part-time work, you may not have the necessary time to carefully peruse the paperwork your lender sends you. It is very easy to miss something, so to avoid penalties later, simply file everything. These statements could come in handy in the future.

Step 2 – Upon graduation, start investigating lenders

Begin with your current lenders as you may already be familiar with their procedures, online account management tools, and other features. However, keep in mind that your current lender might not always be the best choice. If you have found that the customer service representatives of a particular lender did not adequately assist you, then chances are you won't receive the help you need after you consolidate. The best lender to choose isn't necessarily the most prominent in the industry. Rather, more than any other factor, customer service is the one aspect that can make consolidating a breeze or a nightmare.

Check out each lender's website. Does the website look informative? Does it look like a lead generator? Evaluate what, exactly, the lender is trying to achieve with the website, and it will tell you a lot about the lender. Keep in mind that you only want to consolidate your federal student loans with a lender that has more answers than you have questions.

When you call a lender, don't allow any representative to pressure you into committing right then and there. Remember, upon graduation, you have a six-month grace period on Federal Stafford loans during which no payments are due. And you have a nine-month grace period on Federal

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Perkins loans. So, you have plenty of time to choose a lender, complete the application, and finalize your consolidation.

HINT: Consolidate during your grace period to receive an interest rate 0.06% lower than you would if you consolidate during repayment.

Step 3 – Find your loan information

The most detailed and complete information can be found on the government's website. Here are some easy-to-follow instructions on finding your loan information:

1. Go to www.nslds.ed.gov.
2. You will need to enter your social security number and your pin number. This pin number was a four-digit number given to you by FAFSA.
3. If you do not recall your pin number, you can obtain a duplicate pin number by going to www.pin.ed.gov. Go to the blue menu on the left and select the third item, entitled "Request Duplicate Pin Number." You will receive an email with your pin number in approximately 2 to 4 hours.
4. Once you access www.nslds.ed.gov, you will see your loans in numerical order. Click on the blue numbers on the right, and they will provide you with detailed information on each specific loan.

HINT: Print out everything from NSLDS. You can use these records later to ensure that your lender consolidated all your loans at the correct rates, with no overpayment or underpayment.

Step 4 – Decide upon the best repayment plan and monthly payment rate

Federal student loan consolidation is a borrower-friendly program. Not only will you get a fixed rate and deferment and forbearance options, with a federal student loan consolidation, you have the option to choose from several repayment plans that fit your needs. Here are the various repayment plans offered:

Equal Payments

This option provides equal monthly payments over the term of the loan.

Select 2/Graduated Payments

This option allows for interest-only payments for the first two years of repayment. In the third year, payments increase to level installments of principal and interest payments for the remaining term of the loan.

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Select 5/Graduated Payments

This option allows for interest-only payments for the first two years of repayment. In the third through fifth years, payments increase to include a portion of principal. In the sixth year, payments increase to level installments of principal and interest payments for the remaining term of the loan.

Income-Sensitive Payments

This option provides for payments to be adjusted annually, based on your expected total monthly gross income from employment and all other sources. For spousal consolidation loans, monthly payments are adjusted according to combined monthly incomes. Your account will initially be disbursed at the Select 2/Graduated repayment plan. After the consolidation loan is disbursed, you must contact your servicer to qualify. Once eligibility is determined, your servicer will calculate your new payment.

*Extended Equal Payments**

This option allows up to a 25-year repayment term of equal payments.

*Extended Select 2 Payments**

This option allows up to a 25-year repayment term with the Select 2/Graduated Payment plan.

*Extended Select 5 Payments**

This option allows up to a 25-year repayment term with the Select 5/Graduated Payment plan.

*All Extended Repayment plans are for qualified borrowers with more than \$30,000 in eligible loans. Applicants interested in any of the Extended Repayment plans should contact their servicers to determine eligibility.

HINT: Your consolidation interest rate and monthly payment *will be the same* regardless of which lender you choose. The federal government sets the guidelines for consolidations and every lender must abide by them. Thus, every lender's offer will be the same. Pick the one that helps you out the most.³

Step 5 – Complete your consolidation application

While many lenders have online applications and electronic signature options, it may be best to request that an application be mailed. This way, you can ensure that you fill out all the necessary information, and also it will give you a chance to closely read the promissory note. If you have selected a trusted lender, one of its representatives will have no problem helping you complete your application. And if you have your loan information handy, it will take no time at all. Remember to keep a copy for yourself.

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Step 6 – Understand your new loan terms and make payments on time!

Keep detailed notes about which repayment plan you selected, what interest rate you should receive, and when your payments will be due. Lenders usually send borrowers a disclosure once the federal student loan consolidation is finalized. Carefully read over the information, and if anything is incorrect, call your lender immediately. Underpayments and overpayments sometimes occur. There might be an issue with the interest rate or repayment plan you received. However, if all appears accurate, then begin repayment. If possible, send in more than your minimum required monthly payment. This will help you pay your loan off faster. Also, keep in mind that you are granted forbearance and deferment options by the federal government.³

Hopefully, this guide will help you consolidate your federal student loans successfully. And remember, the best advice of all is, quite simply, be educated.

To learn more, check out the following websites:

www.edfed.com/resources/articles/student-loan-consolidation-faq.php

www.edfed.com/resources/articles/manage-student-loans.php

www.studentaid.ed.gov/PORTALSWebApp/students/english/consolidation.jsp

¹ For further reading: www.usnews.com/usnews/biztech/articles/070411/11loans-index.htm

² http://www.usatoday.com/sports/college/2007-12-11-student-loans-settlement_N.htm

³ For more information on forbearance and deferment options:

www.studentaid.ed.gov/PORTALSWebApp/students/english/difficulty.jsp?tab=repaying