



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

175 South Lake Ave, Suite 200, Pasadena, California 91101

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www.Edfed.com

Private Student Loan Consolidation Checklist

So, you've decided to take control of your education debt by consolidating your private student loans. That's a wise decision and one that will benefit your financial future for years to come. However, some legwork is required to ensure that you consolidate your private student loans with a reputable lender and receive fair terms. Here's a checklist of things you need to look out for and investigate before choosing a lender (in no particular order of importance).

Eligibility

Before becoming entangled in a tedious application process, and before your credit is run, make sure you are eligible for a lender's private student loan consolidation program. The eligibility requirements are usually posted on a lender's website. However, there may be exceptions to their eligibility requirements, and your situation might need special consideration.

For instance, if your parent or guardian cosigned a private student loan for you while you were a student, your parent or guardian might be subject to the same eligibility requirements as you, the primary borrower. Or, perhaps you want to relieve your parent or guardian from the obligation of your private student loan. Check with the lender to determine whether your cosigner may be discharged from the loan upon funding.

There are many other questions that need to be answered as well. If you're a student, can you consolidate while you're still in school? Are all your private student loans eligible for consolidation? Is there a maximum consolidation amount? All of these are important questions, and it's best to clarify whether your situation is eligible for a lender's private student loan consolidation program.

Interest Rates and Fees

Perhaps the single most important factor in determining which private student loan consolidation program to choose is the interest rate you will receive and the fees (if any) you will be charged.

Contrary to popular belief, unlike federal student loan consolidation, the majority of private student loan consolidations will not result in a fixed interest rate loan. Private student loan consolidations are similar to consumer loans - i.e., they are credit-based – and thus carry variable interest rates.

continued on back



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When comparing interest rates, take careful note of the base interest rate associated with the loan. The base rate can be the Prime Rate or the 3-month LIBOR Rate. A margin is then added to this base interest rate. The margin varies from lender to lender and is determined by your credit rating.

Just a quick tip: the 3-month LIBOR Rate has in recent years been significantly lower than the Prime Rate, so in the end you may receive a lower interest rate overall if you choose a lender that offers the 3-month LIBOR rate as its base interest rate.

Deferment and Forbearance Options

Deferment and forbearance options are important should the need to postpone payments ever arise. However, as with most consumer loans, these options are few and far between. Determine what, if any, deferment and forbearance options are available with different lenders. The most common deferment and forbearance options are:

- In-school
- Military deployment
- Medical residency

Borrower Benefits

Borrower benefits are incentives offered to potential customers to gain their business. Usually, borrower benefits are interest rate reductions and can save borrowers money. Most lenders offer an interest rate reduction to borrowers who choose to make their monthly payments on their private student loans using auto-debit. The typical interest rate reduction for auto-debit payments is 0.25%. There may be other types of borrower benefits so it's best to ask right up front what these may be as well as the terms of the benefits.

Application Process

Something else to consider is the entire application process and the steps you have to take to get your consolidation done. No one wants to draw the process out for months on end, especially if one is anxious to get a lower rate and lower monthly payment. So ask the lenders you are considering the following questions:

continued



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1. Can I complete an application online?
2. Are any documents required?
 - a. Proof of income
 - b. Private student loan statements
 - c. Personal identification
3. Is there a "cool-off" period and, if so, can it be waived?
4. How long does funding take?
5. How soon will I receive my first statement?

It's best to know what will be involved before delving into any application process. Knowing the specifics will not only help you choose the right lender for you but also demonstrate to the lender's customer service or sales representative that you are an educated borrower.

Other Terms of the Loan

The interest rate, deferment and forbearance options, and repayment terms may be the obvious factors to consider when choosing a lender to consolidate your private student loans, but as with any consumer loan, borrowers are well-advised to review all the terms of the loan. All the terms of a loan are contained in the promissory note, as are definitions of key terms, such as repayment period, interest accrual, capitalization, and other important disclosures. Review this information carefully and ask for clarification on anything you may be uncertain of.

Company Track Record: Testimonials and Recommendations

An even better gauge of a company's reputation are the experiences of previous customers. Customers who have consolidated with a company and are satisfied with their loan terms and experience generally point to a company you may want to do business with. Companies also often post customer testimonials that describe their experiences working with a company. The best testament to a company's service is a recommendation from a friend you trust. Recommendations point to excellent service and products. So, if you get a recommendation, or read great testimonials, take that into consideration along with the aforementioned factors.

Customer Service

Customer service can be considered the "X factor" when choosing a lender to consolidate your private student loans. Borrowers may overlook the customer service lenders provide when

continued on back



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comparing one company to another. However, customer service is perhaps just as important as the interest rate and loan terms lenders offer.

After you sign all your documents, receive your disclosure statement, and make your first payment, all you're left with is customer service. This may not seem too relevant after you receive an excellent rate and a lower monthly payment. But if ever there comes a time that you need to ask a question or clarify an issue, you'll be talking to a customer service representative.

Now that you have this handy checklist and better understand all the components that go into choosing a lender to consolidate your private student loans with, go out there and take charge of your education debt!