



Minnesota State University, Mankato Student Financial Services

Federal Consolidation Loan Information

As you prepare to leave MSU...

Be prepared, you may be the target of marketing efforts by many student loan consolidation companies. Unfortunately, not all companies offering consolidation loans are credible. Some may inaccurately portray themselves as the only lender to offer consolidation loans or make promises too good to be true. It is a good idea to research the lender you choose to consolidate your student loans, should consolidation be appropriate.

Pros and Cons of Consolidation

Loan consolidation offers Federal Loan borrowers the opportunity to pay off Federal Loans and create a new loan for the amount owed on those loans. This will allow borrowers with more than one lender to make a single loan payment for all of their loans. This new loan will have a fixed interest rate based on the weighted average of the loans included.

Loan consolidation also allows the borrower to extend the maximum repayment period for up to 30 years. This will allow borrowers with high debt to make more manageable monthly payments. This option to extend repayment beyond the standard ten year repayment period will mean that borrowers will pay more interest due to the longer repayment period.

Borrowers who consolidate their Federal Loans do lose some benefits that were associated with the included loans. These benefits include provisions for loan cancellation for borrowers going into pre-designated, high-need professions. Borrowers should contact the servicer of their loans to find out if they qualify for those loan cancellation benefits before deciding to consolidate.

Students who are planning to include a Federal Perkins Loan in their consolidation will want to contact the holder of their loan to find out about possibilities for cancellation of part or all of their Perkins loan for working in selected professions. Once a Perkins loan is included in a consolidation loan the borrower loses the numerous opportunities to have part or all of their Perkins loan cancelled.

Borrowers who consolidate will also lose any repayment benefits that existed under their original Master Promissory Note (MPN). Many lenders, however, offer benefits for students who consolidate. Borrowers are advised to contact their lender so they can compare the different benefits offered.

Types of Loans that can be Consolidated

Students who have borrowed Federal Stafford Loans(Subsidized and Unsubsidized), Federal Direct Loans(Subsidized and Unsubsidized), Auxiliary Loans to Assist Students (ALAS), Federally Insured Student Loans (FISL),Federal Guaranteed Student Loans (GSL), Supplemental Loans to Students (SLS), National Defense Student Loans(NDSL), Federal Perkins Loans, Loans for Disadvantaged Students (LDS)*, Health Educations Assistance Loan (HEAL)*,Nursing Student Loans (NSL)*, Health Professional Student Loans (HPSL)*, or Parent Loans for Undergraduate Students(PLUS) can consolidate their loans into one new loan. Loans marked with an asterisk (*) can only be consolidated if there is at least one FFELP loan or Direct Loan included in the consolidation. Only Federal Loans can be consolidated; Alternative and State loans are not eligible for consolidation.

What's the interest rate?

To determine the interest rate on your Consolidation Loan, your lender will take the weighted average of the loans that you are including in the consolidation.

How to choose the best lender for consolidation

If you have all of your FFELP loans (these include the Stafford and PLUS programs) with one lender, federal regulations require that you request consolidation from your current lender (provided your lender offers consolidation loans) or with the William D. Ford Federal Direct Loan Program†. Also, your lender must offer an income-sensitive repayment plan. If they do not, you may consolidate with any lender that offers consolidation loans.

If you have FFELP loans with at least two lenders, you may choose to consolidate with any lender offering consolidation loans.

If you have loans with the William D. Ford Federal Direct Loan Program and only one other lender you must consolidate with that lender or the William D. Ford Federal Direct Loan Program.

We're Still Here...

If you have questions about loan consolidation, Student Financial Services at MSU will be available to help you navigate loan consolidation process or any other financial aid issue.

Recommended Consolidating Lenders

Lender	Lender Benefits	Minimum Loan Balance
Nelnet 866-426-6765 www.consolidation.nelnet.net	<ul style="list-style-type: none"> Complete and electronically sign a consolidation application and receive a 1% rate reduction after 36 initial, regular, on-time payments Receive an additional .25% interest rate reduction for auto-debit payments 	\$7,500*
Bremer Bank 800-645-0371 www.slfc.com	<ul style="list-style-type: none"> .25% interest rate reduction for auto-debit payments Make a single payment for consolidation loan and alternative loan(s), if applicable 	\$5,000*
Citibank 800-967-2400 www.studentloan.com	<ul style="list-style-type: none"> .25% interest rate reduction for auto-debit payments 1% interest rate reduction with 48 on-time payments 	None
EdAmerica 800-337-1009 www.edamerica.net	<ul style="list-style-type: none"> .25% interest rate reduction for auto-debit payments 1% interest rate reduction with 48 on-time payments 	\$7,500*
Student Loan Xpress 800-759-7737 www.mycaploan.com/slx26	<ul style="list-style-type: none"> 1% interest rate reduction with 36 on-time payments if the eligible loan balance is \$20,000 or more .25% interest rate reduction for auto-debit payments 	\$10,000*
TCF Bank 800-448-3533 www.smartloan.com	<ul style="list-style-type: none"> .25% interest rate reduction for auto-debit payments 1% interest rate reduction after first 48 on-time payments 	\$7,500*
U.S. Bank 800-242-1200 www.usbank.com/studentloans	<ul style="list-style-type: none"> Receive a .25% interest rate reduction for auto-debit payments 	\$5,000*
Wells Fargo 800-658-3567 www.wellsfargo.com/student	<ul style="list-style-type: none"> 2.6% principal reduction after 36 on-time monthly payments .25% interest rate reduction for auto-debit payments 	\$7,500*

* Some Lenders have waived or reduced the minimum amount a student may consolidate for the time period preceding 7/1/05. Please check with your lender for information on their processes and requirements.

Federal Consolidation Loan Repayment Chart

TOTAL AMOUNT BORROWED	REPAYMENT TERMS	3.00%	5.00%	7.00%	8.25% (max)
\$5,000.00	10 Years	\$50.00	\$53.03	\$58.05	\$61.33
10,000.00	15 Years	69.06	79.08	89.88	97.01
15,000.00	15 Years	103.59	118.62	134.82	145.52
20,000.00	20 Years	110.92	131.99	155.06	170.41
25,000.00	20 Years	138.65	164.99	193.82	213.02
30,000.00	20 Years	166.38	197.99	232.59	255.62
35,000.00	20 Years	194.11	230.98	271.35	298.22
40,000.00	25 Years	189.68	233.84	282.71	315.38
45,000.00	25 Years	213.40	263.07	318.05	354.80
50,000.00	25 Years	237.11	292.30	353.39	394.23
55,000.00	25 Years	260.82	321.52	388.73	433.65
60,000.00	30 Years	252.96	322.09	399.18	450.76
70,000.00	30 Years	295.12	375.78	465.71	525.89
80,000.00	30 Years	337.28	429.46	532.24	601.01
90,000.00	30 Years	379.44	483.14	598.77	676.14
100,000.00	30 Years	421.60	536.82	665.30	751.27
110,000.00	30 Years	463.76	590.50	731.83	826.39
120,000.00	30 Years	505.92	644.19	798.36	901.52
130,000.00	30 Years	548.09	697.87	864.89	976.65
140,000.00	30 Years	590.25	751.55	931.42	1,051.77
150,000.00	30 Years	632.41	805.23	997.95	1,126.90

The Federal Stafford and PLUS Loans have variable rates with 8.25% and 9% caps, respectively. These loans have a minimum monthly payment of \$50.00.

†There are two programs from which you may have borrowed your Stafford Loans. These programs include the Federal Family Education Loan Program (FFELP) and the William D. Ford Direct Loan Program. Both of these programs offer Stafford Loans (both subsidized and unsubsidized). The major difference between these programs is the FFEL program relies on banks to provide funding while the Direct Loan program relies on the Federal Department of Education for funding.

‡05/26/05