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Student Financial Assistance

THE U.S. Department of
EDUCATION



Consolidation - Why It's a Good Deal for Student Borrowers



Today's agenda

- I. Consolidation - the basics
- II. Direct Consolidation - specifics
- III. FFEL Consolidation - specifics
- IV. Questions and Answers



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Consolidation in a nutshell

A tool to help borrowers manage their student loan debt successfully.

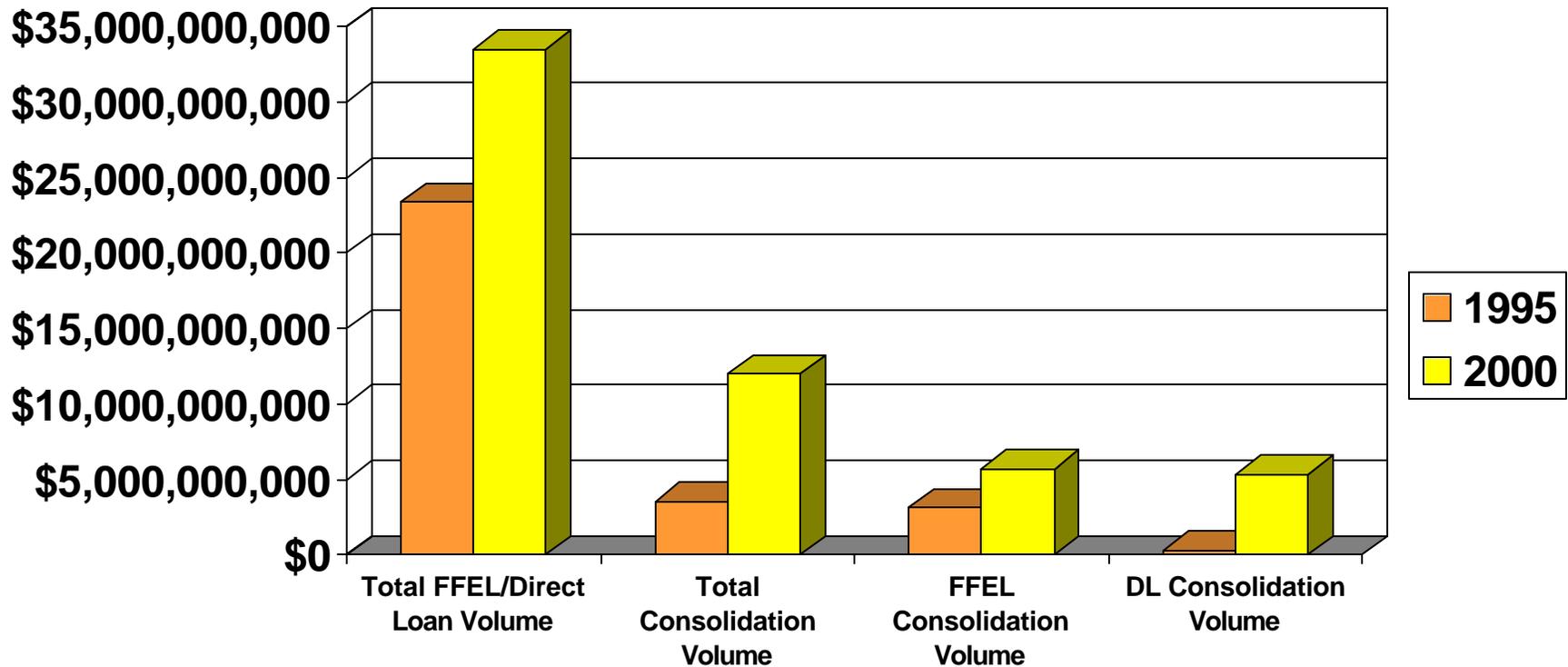


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Session 10 - 4

Meeting today's need

Total Annual Dollar Volume





Meeting today's need

FFEL and Direct Loan Trends 1995 - 2000

- Average loan size
 - ✓ Increased \$400 from 1995 to 2000
 - ✓ Greatest growth in Unsubsidized and PLUS loans
 - ✓ Subsidized Loan growth remains constant
- Average number of loans borrowed per year
 - Consistent - 1.2 loans per borrower annually



Meeting today's need

Typical Consolidation Borrower

- Average age 34
- Average debt \$20,800
- Average # of loans 4

When is consolidation a good choice?

- Multiple loan holders
- Large debt
- Trouble making payments
- Defaulted or delinquent
- Regain Title IV eligibility if in default





Other options to consider

Consolidation is not for everyone

- Rehabilitation
- Partial consolidation
- Deferment/Forbearance



Consolidation Benefits

- One lender/one monthly payment
- Fixed weighted average interest rate
 - ✓ Grace period interest rate savings
 - ✓ Capped at 8.25% (PLUS at 9%)
- No origination fees
- Flexible repayment options
- Second chance for defaulted borrowers
- No minimum or maximum amount



Fixed Weighted Average Interest Rate Advantage

Repayment Plan	Term (in months)	Monthly Payment - variable rate Assuming 8% avg. rate	Monthly payment - fixed rate 6% fixed weighted avg.	Saving over term of loan
Standard	120	\$243	\$222	\$2,475
Extended	240	167	143	5,760
Graduated	240	133 7% increase (up to \$240 month) every 2 yrs. based on \$20,000 debt	111	6,938
Income Based	236/207	123 adjusted annually based on income	123	8,908

Example based on 2 Direct Loans and 2 FFEL Loans with a combined total of \$20,000

Your Role in Consolidation

Borrower Counseling:

- Provide information and options to borrower
- Help compare options, benefits, and programs





Your Role in Consolidation

Perkins Loan Schools

- Complete verification certificates
- Timely payoff of borrower loans
- Prompt over and underpayment adjustments



Eligibility Factors

- Borrower type
 - ✓ Student Borrowers
 - ✓ Parents
 - ✓ Married Borrowers
- Loan status
 - ✓ Out of school
(Includes at least one FFEL or Direct Loan)
 - ✓ Defaulted
(Make satisfactory repayment arrangements - 3 consecutive payments)



Repayment Options

- Standard
 - ✓ 10 yr. repayment period
 - ✓ \$50 min. monthly fixed payment
- Extended
 - ✓ 12-30 yr repayment period
 - ✓ \$50 min. monthly fixed payment
- Graduated
 - ✓ 12-30 yr. repayment period
 - ✓ Monthly payments increase every 2 yrs.
- Income Based
 - ✓ Amount and term based on debt and income

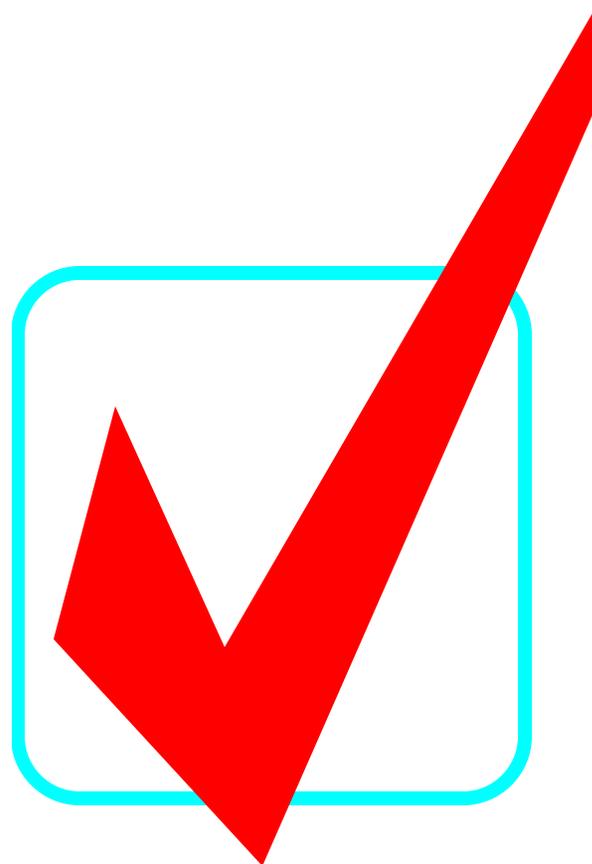




Direct Consolidation Eligibility In-School

Direct Consolidation includes at least one FFEL and/or Direct Loan in an in-school period.

- ✓ **FFEL Loan(s) - must be attending a Direct Loan School**





Direct Consolidation Eligibility In-School

Example: In-School/ In-Grace Consolidation Interest Savings

<u>Loan Term</u>	<u>SAVINGS</u>
10 years	\$779
12 years	\$968
15 years	\$1,271
25 years	\$2,422

Savings based on 4 Direct/FFEL with a combined balance of \$20,000 brought into the weighted average calculation at the lower in-school rate and fixed for the life of the loan.



Direct Consolidation Income Contingent Repayment Plan

- Payments based on:
 - ✓ Annual income (AGI)
 - ✓ Family size
 - ✓ Total debt
- Monthly payment changes annually as income changes



Direct Consolidation Electronic Tools

loanconsolidation.ed.gov

- On-line application/promissory note
- On-line repayment calculator
- Application status look up
- FAQs, application materials
- Electronic funds transfer (EFT)
- Electronic signature on application

Direct Consolidation How Can We Help You?

- 1-800-557-7392
- TDD 800-557-7395
- loan_consolidation@mail.eds.com

