

The Financial Aid Office at Central College has received a flood of calls asking about loan consolidation because the interest rates on the Federal Stafford Loans will be increasing this Friday, July 1. We have put together this information to help answer some of the common questions we have encountered from students trying to beat the deadline. We hope you will find this helpful if you have been trying to reach us, but could not get through because of the unusually high call volume we have experienced.

FREQUENTLY ASKED LOAN CONSOLIDATION QUESTIONS:

What loans are affected by the change in interest rates?

Only your Federal Stafford Loans are affected by the change in the interest rate on July 1.

Who is my Federal Stafford Loan lender?

Federal Stafford Loans taken out while at Central College are processed through the William D. Ford Federal Direct Loan Program. The lender for these loans is the U.S. Department of Education. The address is PO Box 530260, Atlanta, GA 30353 PH: 1-800-848-0979

How can I consolidate?

Go to www.loanconsolidation.ed.gov or call 1-888-758-9730.

May I consolidate my Federal Perkins Loan and who is the lender for that?

Yes, you may consolidate the Federal Perkins Loan, but it will not be affected by the interest rate change on July 1. Students who may go into teaching may not want to consolidate their Federal Perkins Loan because of possible cancellation provisions that no longer apply once the Federal Perkins Loan has been consolidated. Central College is the lender for a Federal Perkins Loan borrowed while attending Central. The address is Central College Loan Office, Box 5700, 812 University St., Pella, IA 50219 PH: 641-628-5290.

Do my Partnership Loans qualify for Consolidation:

No, Partnership Loans should never be consolidated with Federal educational loans because you would lose any borrower benefits on your federal loans by combining them with non-federal loans.

What is the interest rate change?

The Federal in-school rate for a Stafford Loan is currently 2.77 percent. The interest rate will change to 4.70 percent on July 1.

Who is the borrower and what is the account number?

The student is the borrower and the account number is the student's Social Security Number.

Are there any drawbacks to consolidation?

If you have graduated and are ready to begin making payments, you should consolidate your Federal Stafford Loans prior to Friday, July 1.

If you are in-school you should know that you will lose your 6 month grace period if you choose to consolidate. Normally you would have 6 months after you graduate before you begin making repayment. If you consolidate while in-school you will need to make your first payment one month after you are no longer in school. This means that within one month of graduating, withdrawing or dropping to less-than-half-time status, you would need to notify the lender that you have withdrawn, select a repayment schedule, wait for a repayment schedule to be mailed to you and submit your first payment! If you fail to make one of your first 12 monthly payments on time, you will be charged the 1.5 percent fee that was not charged to you at the time of loan disbursement. This would be \$257 for a student who borrowed the maximum Stafford Loan while completing their degree within 4 years. It is up to you to decide if it is worth taking the chance on this, but be aware that approximately 75 percent of the students who miss making one of the first 12 payments on time miss the first payment and that is based upon the student receiving the benefit of a 6 month grace period. Interest rates could drop back down in the future, so we are not sure it would be worth the risk.