

## Frequently Asked Consolidation Questions

Do you have questions about consolidation? To determine if consolidating your student loans is in your best interest, you should evaluate your needs and goals. These frequently asked questions will help you weigh the options to achieve your specific goals. Each borrower has a unique set of circumstances and we are happy to discuss your options with you. For further assistance, please contact Great Lakes at (800) 950-0152.

### **Why do I need to consider my options? Why can't I just consolidate now and get it over with?**

The answer to these questions has become more difficult in the last few years than it has been in the past, and the answer is more complicated now more than ever. In the past, consolidating student loans was a relatively easy decision, but changes to student loan regulations have greatly impacted the factors that borrowers need to consider. In addition to the regulatory changes, certain economic realities have lessened the competition for student loan dollars and less is offered to borrowers to encourage them to choose one lender over another. Simply put, things have changed.

### **Should I consolidate my eligible student loans?**

That depends. What are you attempting to achieve by consolidating?

#### **1. I want to reduce my monthly payment.**

There are options that you can explore with the servicer of your student loan to lower your monthly payment without consolidating your loans. With eligible debt of \$30,000 or more you may qualify for extended or graduated repayment terms, which could possibly extend your repayment period up to 25 years. Keep in mind that increasing your repayment period increases the total interest paid on the money borrowed over the life of the loan.

If your loan is serviced by Great Lakes, contact a Borrower Services representative by calling (800) 236-4300.

#### **2. I want lower interest rates.**

If you have variable rate loans and you want to consolidate to achieve lower interest rates, you may receive a lower rate after July 1st, 2008. Variable student loan interest rates that take effect on July 1, 2008 are based upon the 91-day T-bill auction that occurs the last week of May. There is reason to believe that the rates that take effect on July 1, 2008 will be lower for variable rate loans. Assuming the rate determined in May is lower than the current rate, it may be in the best interest of borrowers currently in a non-grace repayment period to wait until May of 2009 to make this decision. Why? The rate in 2009 could be set even lower than the 2008 rate. If the rate that takes effect on July 1, 2008 is lower than the current rate, borrowers with variable rate loans will benefit from the lower rate without consolidating. It may then be in their interest to wait until May 2009 to determine if the interest rates will decrease again.

To discuss these circumstances and your situation with a Consolidation Representative, please contact Great Lakes at (800) 950-0152.

### **Can my fixed rate loans be consolidated?**

Eligible fixed rate loans can be consolidated, but borrowers should evaluate their situation closely before deciding to consolidate their fixed rate loans. Interest rates for consolidation loans are determined by calculating the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest eighth of a percent. In most cases, consolidating fixed rate loans can produce a consolidation loan with a higher interest rate than those of the original loans. Consolidating fixed rate loans generally reduces the monthly payment because the repayment period is longer, but the interest rate and the total interest amount paid over the life of the loan is likely going to be more than if the fixed rate loan is excluded from the consolidation loan process.

To discuss these circumstances and your situation with a Consolidation Representative, please contact Great Lakes at (800) 950-0152.

### **Why is Consolidation different now, than in the past?**

The decision to consolidate your student loans is different this year for many reasons. For the first time in three years interest rates for variable rate loans are expected to decrease this year. Economic conditions and student loan regulations have had a large impact on lenders within the student loan industry. Fewer lenders are in the business of making consolidation loans, and many others have dramatically raised the minimum dollar amount required to consolidate. Many borrower benefits or incentives, such as interest rate reductions for on-time payments or automatic withdrawal of monthly payments, have been scaled back or eliminated. All of these factors have had a direct impact on our ability to make consolidation loans.

Please contact Great Lakes at (800) 950-0152, any representative will be happy to assist you.