



AMHERST COLLEGE
Office of Financial Aid

202 Converse Hall
P.O. Box 5000
Amherst, Massachusetts 01002-5000

Telephone (413) 542-2296
Facsimile (413) 542-2628

Don't Miss the Opportunity to Save with Direct Loan Consolidation!

Whether you are graduating this spring or will be returning next fall, take advantage of substantial savings by consolidating your Federal Direct Stafford/Ford Loans!

The current student Direct Loan interest rates of 4.7% (in-school/grace/deferment) and 5.3% (repayment) will expire on June 30, 2006. Student Direct Loans borrowed on or after July 1, 2006, will be at a new FIXED interest rate of 6.8%. The interest rate on existing variable-rate Direct Loans borrowed prior to July 1 will likely increase by at least one percentage point.

	Effective 7/1/05 – 6/30/06 (Variable Rate)*	Effective 7/1/06 (Fixed Rate)
Federal Direct Subsidized/Unsubsidized Stafford/Ford Loans	4.70% (In-school/Grace/Deferment) 5.30% (Repayment)	6.80 %
Federal Direct PLUS Loans (parent borrower)	6.10 %	7.90 %

*As of July 1, 2006, the interest rate on loans borrowed on or before June 30, 2006, that are not consolidated will continue to be reset annually by the U.S. Department of Education in accordance with federal law.

We encourage returning students and graduating seniors to lock in the current low interest rates by consolidating their Direct Loans now!

As a borrower you will not lose any loan benefits by consolidating.

- You will retain a six-month grace period upon graduation or withdrawal from Amherst College. You will not start paying on your loans until after your grace period expires.
- The federal government will continue to pay the interest on your subsidized loans.
- Most deferments (unemployment, hardship, etc.), forbearances, and cancellation provisions remain the same. If you decide to attend graduate school or enroll at another institution, you are still eligible for in-school deferment.
- Borrowers can still request a .25% interest rate deduction if they want to have their payments automatically withdrawn monthly (Electronic Debit Account).
- If you consolidate in the Direct Loan Program and make your first 12 payments on time, you will retain the 1.5% rebate you received when your Direct Loans were initially disbursed.

We recommend that you include only your Federal Direct Stafford/Ford Loans in a Consolidation Loan and not include other eligible loans that have a fixed interest rate (e.g., Federal Perkins Loans).

- **Go to www.dlservicer.ed.gov/consolidatenow/welcome.asp for more information.**

Federal Direct Consolidation Loans

<http://www.loanconsolidation.ed.gov/index.shtml>

Should I Consolidate?

Here are some factors you should consider when deciding if consolidation is right for you.

What are the interest rates on your loans? If a Direct Consolidation Loan offers you a lower rate than your current loans, you may want to consolidate. Currently, the interest rate for a Direct Consolidation loan is based on the weighted average interest rate on the loans being consolidated, rounded to the nearest higher one-eighth of one percent. This rate is fixed for the life of the loan and cannot exceed 8.25 percent. Use the U.S. Department of Education's online calculator (see the Web site listed above) to find out what your weighted average interest rate would be if you consolidate with the U.S. Department of Education.

Are your monthly payments manageable? If you have trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and/or want to avoid default, consolidation may help you. Use the U.S. Department of Education's online calculator to find out what your monthly payments would be under each of the four repayment plans.

How much are you willing to pay over the long term? Like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.

How many payments do you have left on your loans? If you are close to paying off your student loans, it may not be worth the effort to consolidate or extend your payments.

What consolidation loan benefits do your current lenders offer? Check with the loan holders currently servicing your loans to see if they can offer terms and repayment plans that meet your needs better than a Direct Consolidation Loan.

How Do I Benefit?

A Direct Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages.

Lower Interest Rate for In-School and In-Grace Consolidation

Borrowers who have a Direct Loan or Federal Family Education Loan (FFEL) in an in-school or grace period at the time the U.S. Department of Education receives their consolidation application may benefit from a lower fixed interest rate on the new Direct Consolidation Loan. The difference between a borrower's interest rate during the in-school and/or grace period and during the repayment period can be as much as 0.6 percentage points.

In-school consolidation is available only with Direct Consolidation Loans.

One Lender and One Monthly Payment

With only one lender and one monthly bill, you will find it is easier to manage your debt. You will have only one lender, the U.S. Department of Education, for all loans included in your Direct Consolidation Loan.

Flexible Repayment Options

You can choose from four different plans to repay your Direct Consolidation Loan, including an Income Contingent Repayment Plan. These plans are flexible to meet the different needs of borrowers. With a Direct Consolidation Loan, you can switch repayment plans at any time.

Grace Period

If you consolidate while in-school, you may receive a six-month grace period before repayment begins.

No Minimum or Maximum Loan Amounts or Fees

Direct Consolidation Loans do not exclude anyone based on the size of the loan debt. In addition, consolidation is free.

Varied Deferment Options

Direct Consolidation Loans offer several deferment options. If you have exhausted the deferment options on your current federal education loans, a Direct Consolidation Loan could renew those deferment options. In addition, you may be eligible for additional deferment options if you have an outstanding balance on an FFEL made before July 1, 1993, when you obtain your first Direct Loan.

To consolidate your loans and find answers to questions about Consolidation, go to:
<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>

Reduced Monthly Payments

A Direct Consolidation Loan may lower your monthly payment. The minimum monthly payment on a Direct Consolidation Loan may be lower than the monthly payments on your federal education loans.

Retention of Subsidy Benefits

You will keep any subsidies on your old loans.

The comparison charts available at the Web site listed above show the benefits of the various federal education loan programs. Review these charts carefully to compare the benefits of your current loan(s) with the benefits of a Direct Consolidation Loan.

Am I Eligible?

In order to determine a borrower's eligibility for a Direct Consolidation Loan, the loan status (in-school, out of school, in default) and type (student, parent, or married) must be established.

The following outlines the eligibility requirements for both student and parent borrowers in each status and addresses concerns for married borrowers.

The specific eligibility criteria that apply to borrowers attempting to consolidate defaulted loans are discussed in a Frequently Asked Questions section of the Web site listed above.

I. Student Borrowers

When applying for a Direct Consolidation Loan, borrowers must meet the eligibility requirements for their status: in-school, out of school, or in default.

In-School

Borrowers who are in school are eligible for in-school consolidation if they:

1. Are attending a Direct Loan school and include at least one Direct Loan or FFEL in an in-school period, OR
2. Are attending a non-Direct Loan school and have at least one Direct Loan and include at least one Direct Loan or FFEL in an in-school period.

Examples:

A borrower who is attending a Direct Loan school half-time and wishes to consolidate all of his loans (two FFELs in an in-school period) is eligible for in-school consolidation.

However, a borrower who is attending a non-Direct Loan school half-time and wishes to consolidate all of his loans (two FFELs in an in-school period) is NOT eligible for in-school consolidation.

NOTE: Borrowers who apply for an in-school consolidation should apply after their last loan is fully disbursed AND allow enough time for the Loan Consolidation Center (LCC) to receive the application *before* their last day of attendance in order to take advantage of the in-school consolidation benefits.

Out of School

Borrowers who are out of school are eligible to consolidate if they:

1. Include at least one Direct Loan OR
2. Include at least one FFEL and have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender or have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them.

Examples:

A borrow who recently graduated and wishes to consolidate a Direct Loan with other federal education loans is eligible for a Direct Consolidation Loan.

A borrower in repayment who wishes to consolidate an FFEL with other federal education loans (no Direct Loans) and has been unable to obtain a Federal Consolidation Loan is eligible for a Direct Consolidation Loan.

A borrower in repayment who wishes to consolidate an FFEL with other federal education loans (no Direct Loans) and is able to obtain a Federal Consolidation Loan with acceptable income-sensitive repayment terms is NOT eligible for a Direct Consolidation Loan.

To consolidate your loans and find answers to questions about Consolidation, go to:

<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>

NOTE: Borrowers who apply during their grace period go into repayment within 60 days, forfeiting any remaining grace period. Thus, borrowers who apply too early in their grace period may not be able to take full advantage of their grace period.

II. Parent (PLUS) Borrowers

Parent borrowers must meet the eligibility requirements for their status: in-school, out of school, or in default.

In School

Parent borrowers, who are also students themselves, may be eligible for in-school consolidation. Parent borrowers with PLUS loans are eligible for in-school consolidation *only* if they include other eligible, non-PLUS loans in an in-school period in their consolidation request. These borrowers must then meet the in-school requirements.

Out of School

Parent borrowers are out of school if they have only PLUS loans or have PLUS loans and student loans on which they are making scheduled payments (or that are in a period of grace, deferment, or forbearance). These borrowers are eligible to consolidate if they:

1. Include at least one Direct Loan OR
2. Include at least one FFEL and have been unable to obtain a Federal Consolidation Loan.

NOTE: Parent borrowers are not eligible for a Direct Consolidation Loan on the basis of being unable to obtain a Federal Consolidation Loan with income-sensitive terms acceptable to them because PLUS loans are not eligible for the Income Contingent Repayment Plan.

Parent Credit Check Requirements

Parent borrowers must also meet credit requirements (including those with a defaulted PLUS loan). They are eligible for a Direct Consolidation Loan if they:

1. Do not have an adverse credit history OR
2. Have an adverse credit history AND obtain an endorser who does not have an adverse credit history for the PLUS part of the consolidation loan or document extenuating circumstances.

Examples:

A parent borrower in repayment who does not have an adverse credit history and who has been unable to obtain a Federal PLUS Consolidation Loan is eligible for a Direct Consolidation Loan.

A parent borrower in repayment who wishes to consolidate a Direct PLUS Loan, but has an adverse credit history, must obtain an endorser for the PLUS portion of the Direct Consolidation Loan or document extenuating circumstances to the U.S. Department of Education.

III. Married Borrowers

In School

If applying for in-school consolidation, *both* spouses must meet the in-school requirements for student borrowers.

Out of School

Married borrowers are eligible for joint consolidation if either borrower meets the out of school requirements.

NOTE: Married borrowers should be counseled to weigh carefully their decision to consolidate jointly. Both borrowers must qualify for deferment, forbearance, and certain discharges. If one spouse dies or becomes permanently disabled, the other spouse is still responsible for repayment of the entire consolidation loan. On the other hand, when a single borrower dies or becomes permanently disabled, the consolidation loan is discharged. In the case of divorce, the consolidation loan cannot be unconsolidated. Both parties are accountable for the entire consolidation loan until it is paid in full. Thus, each spouse may want to consolidate separately to minimize risk.

To consolidate your loans and find answers to questions about Consolidation, go to:
<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>

What Loans Can I Consolidate?

Eligible Loans

The following federal education loans are eligible for consolidation into a Direct Consolidation Loan:

- Direct Subsidized and Unsubsidized Loans
- Federal Subsidized and Unsubsidized Stafford Loans
- Direct PLUS Loans and Federal PLUS Loans **
- Direct Consolidation Loans and Federal Consolidation Loans
- Guaranteed Student Loans
- Federal Insured Student Loans
- Federal Supplemental Loans for Students
- Auxiliary Loans to Assist Students
- Federal Perkins Loans
- National Direct Student Loans
- National Defense Student Loans
- Health Education Assistance Loans
- Health Professions Student Loans
- Loans for Disadvantaged Students
- Nursing Student Loans

** PLUS loans are eligible for in-school consolidation only if the parent borrower also includes either eligible, non-PLUS loans in an in-school period.

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of the maximum repayment period under the Graduated or Extended Repayment Plan. These include, but are not limited to, the following:

- Loans made by a state or private lender and not guaranteed by the federal government
- Primary Care Loans
- Law Access Loans
- Medical Assist Loans
- PLATO Loans

What Are the Repayment Plan Options?

When repaying a Direct Consolidation Loan, borrowers may choose from four repayment plans.

- **Standard Repayment Plan** – Fixed monthly payments for a maximum of 10 years
- **Extended Repayment Plan** – Fixed monthly payments that are less than payments under the Standard Plan, with the repayment period ranging from 12 to 30 years, depending on the total amount borrowed
- **Graduated Repayment Plan** – Monthly payments that increase every two years with the repayment period varying from 12 to 30 years, depending on the total amount borrowed
- **Income Contingent Repayment Plan (ICR)** – Monthly payments that are based on a borrower's annual income, family size, and total Direct Loan debt, and are spread over a term of up to 25 years

Before entering repayment, borrowers receive information about the four repayment plans and are asked to select a plan.

The four repayment plans are available to borrowers of Direct Subsidized, Unsubsidized, and Consolidation Loans. Direct PLUS loan borrowers may not choose the ICR Plan.

Borrowers who consolidate more than one loan type (Subsidized, Unsubsidized, and PLUS) have only one Direct Consolidation Loan, and thus make only one payment each month. In general, borrowers choose one repayment plan; however, borrowers who consolidate PLUS Loans with student loans may repay the PLUS portion under a different repayment plan.

Borrowers who do not choose a plan are assigned to the Standard Repayment Plan; however, borrowers may change plans at any time.

To consolidate your loans and find answers to questions about Consolidation, go to:
<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>

Standard Repayment Plan

With the Standard Plan, borrowers make fixed monthly payments of at least \$50 for up to 10 years. Borrowers pay less interest under this plan than the other plans because the repayment period is shorter. In general, the shorter the repayment period, the lower the total interest paid.

Extended Repayment Plan

With the Extended Plan borrowers make fixed monthly payments of at least \$50 over a 12- to 30-year period, depending on the borrower's total education loan debt.

Education loans that are not included in the consolidation may be considered when calculating the length of repayment under the Extended Plan; however, they may not exceed the amount of the Direct Consolidation Loan. Borrowers with a small loan balance may repay in less than 12 years.

Because most borrowers take longer than 10 years to repay their loans under the Extended Plan, their monthly payments are lower than they would be with the Standard Plan. However, the total amount borrowers repay is greater because they pay more interest,

Graduated Repayment Plan

Under the Graduated Plan, payments start out low and increase, generally every two years. The length of the repayment period varies from 12 to 30 years, depending on the borrower's education loan debt.

Education loans that are not included in the consolidation may be considered when calculating the length of repayment under the Graduated Plan; however, they may not exceed the amount of the Direct Consolidation Loan.

This plan works for borrowers who expect their income to increase steadily over time. A borrower's monthly payment will be equal to either the interest that accumulates on the borrower's loans or half of the payment borrowers would make each month using the Standard Plan. A borrower's monthly payment will never increase more than 1.5 times what borrowers would pay under the Standard Repayment Plan. Generally, borrowers repay more over the term of the loan in the Graduated Plan than in the Extended Plan. However, the Graduated Plan offers lower payments for borrowers who are just starting their careers.

Income Contingent Repayment (ICR) Plan

The ICR Plan gives borrowers the flexibility to meet their obligations without causing them financial hardship. A borrower's monthly payment is based on a borrower's annual Adjusted Gross Income (AGI), family size, and the total amount of Direct Loans. Income information is obtained from the Internal Revenue Service (IRS) or from an "Alternative Documentation of Income" Form submitted by the borrower.

To participate in the ICR Plan, a borrower (and, if married, his or her spouse) must sign the "Income Contingent Repayment Plan Consent to Disclosure of Tax Information" Form. This allows the IRS to release income information to the U.S. Department of Education to calculate monthly payments. Monthly payments are adjusted annually to reflect inflation, income, and interest rate changes.

The monthly payment amounts for some borrowers may not be enough to cover the interest accruing on their loans. This situation is referred to as "negative amortization." In such cases, the unpaid interest is capitalized (added to the principal balance) annually, not to exceed 10 percent of the original loan balance. Once the capitalization limit has been reached, interest continues to accrue, but is not capitalized. The capitalization limit does not apply to interest that accrues during deferment or forbearance.

The maximum repayment period for the ICR Plan is 25 years. Earlier payment periods, for borrowers who begin repaying in the Standard Plan or 12-year Extended Plan, count toward the 25-year maximum. Earlier payment periods in other plans do not count toward the maximum. If the Direct Consolidation Loan is not repaid after 25 years, the unpaid portion is discharged. However, borrowers must pay taxes on the portion discharged.

Can I Change Repayment Plans?

Most borrowers may change repayment plans at any time. Borrowers who are required to repay under the ICR Plan must make three consecutive monthly payments before switching to another plan. There is no limit to the number of times borrowers may change plans.

A borrower may change to the ICR Plan at any time. After the switch, the repayment period will be 25 years, less any time spent in the ICR, Standard, and 12-year Extended Plans. Time spent in the Extended Plan under the 15- to 30-year periods and in the Graduated Plan does not count toward the 25-year maximum.

To consolidate your loans and find answers to questions about Consolidation, go to:
<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>

You may change to another plan as long as the new plan has a repayment term longer than the amount of time you have already spent in repayment. *For example, a borrower in the Extended Plan may only change to the Standard Plan if he or she spent fewer than 10 years in repayment.* The new repayment term is determined by subtracting the amount of time the borrower has spent in repayment from the term allowed under the new plan. *For example, a borrower who has spent three years in the Extended Plan would have a new seven-year repayment period under the Standard Plan.*

How Do I Apply?

There are several ways that you can apply for a Direct Consolidation Loan:

On-line Web Application – Apply on-line. Visit the U.S. Department of Education's Application and Promissory Note Home Page. <http://www.loanconsolidation.ed.gov/index.shtml>

Express Phone Application – 1-888-758-9730. Apply over the phone if you have all Direct Loans.

Paper Application –

- Download a paper copy of the application and promissory note – including the complete contents of the application package OR
- Request an application package be mailed to you:
 - Phone 1-800-557-7392 – 8 a.m. to 8 p.m. (EST) (TDD 1-800-557-7935) or 334-206-6001 outside USA

The foregoing information has been adapted from the U.S. Department of Education's Web site, www.loanconsolidation.ed.gov.

March 2006

*To consolidate your loans and find answers to questions about Consolidation, go to:
<http://www.dlservicer.ed.gov/consolidatenow/welcome.asp>*