Although AVMA does not provide financial counseling, this information about consolidating student loans may help you make a decision that is right for you. The financial aid office at the veterinary school you attended is frequently the best source to seek additional information regarding the various options available to veterinary graduates.

Before making a decision to consolidate be certain it is the right choice for you by first determining whether any of the other available repayment options better suits your needs. To learn about these options visit https://studentaid.ed.gov/repay-loans/understand/plans.

You may have federal student loans and private student loans, so information about both types is provided. A fixed rate for consolidated loans may be available to you using the U.S. Department of Education’s Direct Consolidation Loan. There are also options for private consolidation with fixed rates, but they are generally higher rates.

The following pieces of information may assist you in your decision process:

1) Combing federal student loans with private student loans when consolidating, even though private lenders offer that option, must be examined carefully. While having all of your student loans in one place may be easier for you, combining federal and private loans may not be to your financial advantage.

2) Fees required to consolidate/refinance your student loans, adds to the costs of the current loans.

3) Consolidating federal loans and consolidating private loans independently may provide a valuable option for reducing your loan costs and loan management efforts.

4) The U.S. Department of Education’s Direct Consolidation Loan (for Stafford, PLUS, Perkins, Health Professional Student Loans, Guaranteed Student Loans and Direct loans) offers a competitive option for consolidating federal student loans. The interest rate is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8 of a percent. That interest rate is fixed for life. To learn more about this option and/or to apply visit StudentLoans.gov. (This website also explains in detail the different types of federal loans that can be consolidated and the terms of each loan.) This process offers both electronic and paper options. To ask questions about consolidating your loans before you apply for a Direct Consolidation Loan, contact the Loan Consolidation Information Call Center at 1-800-557-7392.

To consolidate private loans, the options compiled by finaid.org on the reverse side of this sheet are good resources to consider. It is always recommended that a borrower check each individual lender website for the most updated information.

QUESTIONS TO ASK ABOUT REPAYMENTS & CONSOLIDATIONS

The following are a list of questions that borrowers who are about to enter repayment of loans or consolidate loans may want to consider asking the financial institution who services their loans or is offering consolidation. This is by no means an exhaustive list. Borrowers may ask as many questions as it takes to achieve full understanding of their obligations, payment options, pros/cons of different plans, etc.

1) What payment plans are available to me? What makes your plan(s) better than your competitors?

2) What will my monthly payments be with each option?

3) How much more (less) interest will I pay over the life of the loan with each repayment option?

4) What are the penalties for late payments? Are there any benefits (penalties) for early repayment?

5) Are there any penalties or fees for early pay-off or advance principle payments?

6) What fees are charged for using your repayment plan(s)?

7) Do you continue to hold/service my loan or is it re-sold to another company? If so, how will I be informed when my loan has been sold and how do I contact the new company?

Don’t forget to build your budget with the AVMA’s Personal Financial Planning Tool at avma.org/mybudget.
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<td>✔ ($125,000 - $175,000)</td>
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<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 3M Prime + 1.50% to 3M Prime + 4.00%</td>
<td>✔ 1%</td>
<td>✔ (After 12 months*)</td>
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<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 1M LIBOR + 2.65% to 1M LIBOR + 8.25%</td>
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<td>✔ (After 36 months*)</td>
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<td>cuStudentLoans.org cuGrad Private Student Loan Consolidation</td>
<td>✔ ($7500)</td>
<td>✔ ($125,000 - $175,000)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 3M LIBOR + 4.40% to 3M LIBOR + 6.90%</td>
<td>✔ 6.0% - 8.85%</td>
<td>✔ (After 12 months*)</td>
<td>✔</td>
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<td>Independent Community Bankers of America (ICBA)</td>
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<td>✔ ($150,000)</td>
<td>✔ (Fixed interest rate loans)</td>
<td>✔ (Variable interest rate loans)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 1M LIBOR + 6.80% to 3M LIBOR + 7.3%</td>
<td>✔ 5.24% - 10.25%</td>
<td>✔ (After 24 on-time payments*)</td>
<td>✔</td>
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<tr>
<td>SoFi Student Loan Refinancing</td>
<td>✔ ($10,000)</td>
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<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 1M LIBOR + 3.00% to 1M LIBOR + 5.00%; capped at 8.95%</td>
<td>✔ 5.24% - 6.99% (w/ repayment terms of 5, 10 or 15 yrs)</td>
<td>✔</td>
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<tr>
<td>Student Loan Network Private Loan Consolidation</td>
<td>✔ ($10,000)</td>
<td>✔ ($300,000)</td>
<td>✔ (Loans &lt; $40,000)</td>
<td>✔ (Loans &gt; $40,000)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 3M LIBOR + 5.00% to 3M LIBOR + 8.5%</td>
<td>✔ (1-5%)</td>
<td>✔ (After 48 on-time payments*)</td>
<td>✔</td>
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<tr>
<td>SunTrust Private Loan Consolidation</td>
<td>✔ ($7,500 &amp; $15,001 in KY)</td>
<td>✔ ($75,000 - $150,000)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ 1M LIBOR + 3.85% to 1M LIBOR + 8.10%</td>
<td>✔ 5.85% - 10.35%</td>
<td>✔ (SunTrust Bank customers addl 0.25%)</td>
<td>✔</td>
<td></td>
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</tr>
<tr>
<td>Wells Fargo Private Consolidation Loan</td>
<td>✔ ($50,000)</td>
<td>✔ ($40,000 - $100,000)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ Prime + 1.0% to Prime + 5.75%; floor rate of 3.25%</td>
<td>✔ 8.5% - 13.5%</td>
<td>✔ (Up to 0.5% w/ Wells Fargo account)</td>
<td>✔</td>
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*Dependent on certain criteria met

Source: http://www.finaid.org/loans/privateconsolidation.phtml
Origination Fee | A charge that is paid to initiate a loan. All other terms being the same, a loan that charges a lower origination fee is better for the borrower.

Public vs. Private Loans | Public loans are financed and administered by an entity of the federal government. Private loans are financed and administered by a bank or other financial services company. Interest rates, loan limits, and repayment options can differ greatly between federal and private loans, as well as between different private entities.

LIBOR | London Inter-Bank Offered Rate; an aggregated interest rate that represents the amount of money banks charge each other to lend to other banks. In effect, the LIBOR is the “cost of borrowing money” for the largest financial institutions in the world. In order for a loan company to ensure that their stated interest rates are never too high or too low as compared to this overall cost of money, most loan interest rates are “pegged”, or based off the current LIBOR rate.

For example: If a bank or lender wants to make sure they can make 2% on a loan they issue, they must consider where that loaned money will come from and how much it will cost the bank. Since the bank knows that they are going to be charged the LIBOR to borrow such funds, then they must charge their customer LIBOR plus 2%. By stating in the loan terms that their rate will be LIBOR plus 2%, they don’t have to re-write their loan terms each time the LIBOR changes (which is almost everyday).

Prime Rate | The interest rate charged to the most creditworthy borrowers who present the least amount of financial risk. The rate is often times used similarly to the way LIBOR is used, i.e. to “peg” an interest rate to an ever changing base rate so that loan terms don’t have to be re-written every time the underlying rate changes.

Cosigner release option | An article within a loan agreement that enables a cosigner to be held not responsible for the loan after a certain period or a certain number of payments are made.

For example: if the parents of a veterinary student agree to cosign on their child’s loans, they are just as liable for payment of that loan as the student. This is done to provide a measure of security for the loan company who is making a loan to a person who may have little-to-no credit history, or poor credit.

A release option means that once a certain number of payments are made, a certain time period has passed, or a certain amount of the loan has been repaid, the cosigner is no longer liable for the remainder of the loan value, and full responsibility is assumed by the borrower (in this case the veterinary student).

All other terms being the same, a loan with a cosigner release option is better for the borrower and the cosigner.

Pre-payment penalty | A financial fee that is charged if a borrower pays off a loan before its stated due date. This is applied to compensate the loan company for the interest payments that they will miss out on by not being able to collect the agreed upon amount over the life of the loan.

For example: Suppose a veterinary student takes out a single loan on January 1st for $10,000 at a rate of 5% interest. The full loan amount will be due in 1-year and the interest is compounded annually. The student agrees to make payments every month until the loan is paid off. In this example, the loan company will expect to make $500 off this loan ($10,000 x 0.05= $500).

Suppose that on January 2nd, the veterinary student receives an inheritance from a rich uncle and decides to pay off the entire amount that day. The loan company will then only receive the original $10,000 back and will not make any money off of the loan. Therefore, the entire process of making the loan provides no revenue to the company.

A pre-payment penalty is used to offset some of the financial loss that would occur in this situation. All other terms being the same, a loan without (or with lower) pre-payment penalties is better for the borrower.

Variable rate | An interest rate that can change after a certain time period or certain number of payments are made. A variable rate (sometimes called an adjustable rate) serves to provide a lower starting interest rate to the borrower, which is usually offset by a higher rate later in the life of the loan.

For example: A veterinary student is considering his options between two student loans. Each loan is for $10,000, has a loan life of 1-year, and is to be paid off in monthly installments with interest compounded monthly.

The first loan offers a fixed interest rate of 5% annually. This means that the rate will always be 5%, regardless of what market interest rates are
at any one time during the life of the loan. Each monthly payment will be the same amount and will not vary in any way.

The other loan offers a variable rate that starts at 1% for the first four months and then increases to 8% for the remainder of the year. A loan company may offer this for a variety of reasons:

• To make their loan more attractive to borrowers who are worried about making the first few loan payments.
• To allow them to adjust to a higher rate if the market interest rate increases during the life of the loan.
• To compensate the loan company for taking a higher risk during the first few months of the loan.
• To allow the borrower to make payments on the interest portion only of the loan for the first part of the loan (i.e. the one with the lower interest rate).

Each option has benefits and drawbacks, but it is relatively simple to determine which one will cost the least overall for the borrower in most cases. In the above example, the first loan would require monthly payments of $856.07 every month and would result in the borrower paying $272.90 in interest. In the second loan (assuming the borrower makes interest-only payments during the first four-month period), the payments would be $100/month for the first four months and $1287.79/month for the last eight months; the borrower would end up paying $702.33 in interest.

Fixed rate | An interest rate that is the same throughout the life of a loan.

Consolidation | Using a large loan to pay off a group of smaller loans. This is usually done to ease the processing of payments. Most consolidation loans include origination fees, different interest rates, or changes to loan terms.

3M LIBOR | Three-month London Inter-Bank Offered Rate. The amount that banks charge each other to borrow/lend money for three-months.

Principle | The amount of a loan that represents the remainder of the unpaid portion of the original borrowed amount.

Interest | An amount of money that is charged by a loan provider that allows the provider to make money off of the loan. Interest charges can be thought of as the “cost of borrowing” a certain amount of money. Interest charges are usually expressed as a percentage of the original amount borrowed (called an interest rate). There are two main types of interest schemes, simple and compounded.

Auto-debit credits | A credit applied to a borrowers account in exchange for enrolling in an automatic payment agreement. This credit serves as a way to incentivize borrowers to sign up for automatic payments, which are more likely to result in on-time loan payments. The credit is usually provided in the form of a reduction in the overall interest rate. All other terms being the same, a loan that offers auto-debit credits is better for the borrower (if the borrower actually enrolls in the auto-debit program).

Debt-to-income ratio | A value used to measure the relative risk of loaning money to a certain person or entity. Financial institutions view the debt-to-income ratio as a way to judge whether a person will be able to service their debts without difficulty. The theory is that the larger a person or entity’s debt-to-income ratio, the larger portion of their cash flow will need to be devoted to making payments to address interest charges and paying off the principle portion. This means that during times of financial difficulty, the person or entity will have less money available to pay this interest and principle.

While useful, this ratio can vary greatly, and there is no universally agreed upon ratio to determine a “good” loan risk. It is thus only one of the values used to assess the risk of making a loan to a particular person or entity.

All other characteristics being equal, a bank or other financial institution prefers potential borrowers to have a lower debt-to-income ratio.

Aggregate loan limit | The largest value a loan or group of loans can be when being addressed or serviced by a bank or other financial institution. This term is usually used in referring to consolidation loans, where a consolidation loan will be no larger than the stated amount. This puts an upper limit on the amount of money the financial institution has at risk on a single borrower.

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