IMPORTANT DISCLOSURE ABOUT REFINANCING YOUR LOANS

You are eligible to refinance both private student loans and government loans with this consolidation loan. If any of the loans that you are refinancing are government loans, you should be aware of the following important facts about how refinancing may affect your rights.

1. A government loan is made according to rules set by the U.S. Department of Education. Government loans have fixed interest rates, meaning that the interest rate on a government loan will never go up or down.
2. Government loans also permit borrowers in financial trouble to use certain options, such as income-based repayment, which may help some borrowers. Depending on the type of loan that you have, the government may discharge your loan if you die or become permanently disabled.
3. Depending on what type of government loan that you have, you may be eligible for loan forgiveness in exchange for performing certain types of public service. If you are an active-duty servicemember and you obtained your government loan before you were called to active duty, you are entitled to interest rate and repayment benefits for your loan.
4. If you are unable to pay your government loan, the government can refer your loan to a collection agency or sue you for the unpaid amount. In addition, the government has special powers to collect the loan, such as taking your tax refund and applying it to your loan balance.
5. A private student loan is not a government loan and is not regulated by the Department of Education. A private student loan is instead regulated like other consumer loans under both state and federal law and by the terms of the promissory note with your lender.
6. If you refinance your government loan, your new lender will use the proceeds of your new loan to pay off your government loan. Private student loan lenders do not have to honor any of the benefits that apply to government loans. Because your government loan will be gone after refinancing, you will lose any benefits that apply to that loan. If you are an active-duty servicemember, your new loan will not be eligible for servicemember benefits.
7. Your private student loan may have either a fixed or variable interest rate. If your private student loan has a fixed interest rate, it may be less than the rate of your government loan and it will never change. If your private student loan has a variable interest rate, that rate may currently be less than the rate of your government loan, although the interest rate may go up or down in the future. With either fixed rate loan or a variable rate loan, if the interest rate on the new private student loan is less than the interest rate on your government loan, your payments will be less if you refinance.
8. If you are a borrower with a secure job, emergency savings, strong credit and are unlikely to need any of the options available to distressed borrowers of government loans, a refinance of your government loans into a private student loan may be attractive to you. You should consider the costs and benefits of refinancing carefully before you refinance.
9. If you don’t pay a private student loan as agreed, the lender can refer your loan to a collection agency or sue you for the unpaid amount.
10. Remember also that like government loans, most private loans cannot be discharged if you file bankruptcy unless you can demonstrate that repayment of the loan would cause you an undue hardship. In most bankruptcy courts, proving undue hardship is very difficult for most borrowers.