

## July 01, 2002- Student Loan Interest Rates Hit Record Low

July 1, 2002STUDENT LOAN INTEREST RATES HIT RECORD LOW  
Borrowers Should Consider Refinancing to Lock in Low Rates

On July 1, interest rates on Stafford federal student loans will fall to 4.06%, the lowest interest rate in the program's history. For many recent students, this summer and fall will be an excellent opportunity to consolidate their loans converting them from a variable rate to a fixed rate.

There is no guarantee that the fixed rate will be lower than a variable rate over the long run. However, because this year's rates are the lowest in the history, borrowers are likely to save through consolidation. By converting to a fixed rate, the typical borrower--who owes nearly \$17,000--could save more than \$2800 over a ten year repayment. Consolidation may also eliminate the need to deal with multiple lenders and extend the repayment period. Most federal loans can be consolidated either with a private lender or the U.S. Department of Education. New graduates should consider consolidating four or five months after graduating. Graduates receive a six-month grace period before they must begin repayment. Borrowers who consolidate during this grace period will get a fixed rate of 3.46% for the life of their loans. However, they will forfeit the remainder of their grace period. A few weeks ago, the White House proposed making interest rates on consolidation loans variable. After loud protests from college students and their friends in Congress, the White House has dropped the idea for now. Borrowers interested in consolidating their loans should contact their lender or the Direct Student Loan program. More information about direct loan consolidation is available by calling the Department of Education at 1-800-557-7392 or visiting the department's website at <http://loanconsolidation.ed.gov/>.