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-Loan Consolidation:

Starting July 1 2005, the Federal Stafford loan rate will rise 1.93 percentage points to 5.3 percent, while the Federal PLUS loans for parents will also rise 1.93 percentage points to 6.1 percent. The current student loan interest rates are at record lows.

The rate hikes will mean higher interest payments over the life of your loans and is one reason you might consider consolidating your loans before the rates change on July 1.

Another reason is that lawmakers may soon change the rules governing consolidation, making it less attractive.

Consolidation Benefits:

When you consolidate in a low-rate environment, you roll all your loans into one and lock in a single rate on the money you owe. That rate is a weighted average of all your loans rounded up to the nearest eighth of a percentage point.

Right now, if all your loans are Stafford loans obtained after June 1998, the consolidated rate is 2.88 percent if you're still in school and 3.38 percent if you've graduated and have started repaying them. Come July 1, however, those rates will jump to 4.75 percent and 5.38 percent, respectively.

For PLUS loans, the consolidated rate today is 4.25 percent. That will go up to 6.125 percent in July.

Examples:

A 2005 college graduate with \$20,500 in Stafford loans would save \$2,842 over a 10-year repayment period by consolidating during his grace period so long as he does so before July, according to the College Loan Corporation. His monthly payments would be \$23 less.

If he has loans totaling \$60,000, he could save as much as \$8,318 over the same 10-year repayment period. His monthly payments would be about \$69 less.

Keep in Mind:

Your lender may allow you to apply as late as June 30 for consolidation at today's rates.

If all your loans are with one lender, you have to consolidate with that lender. Bush has proposed eliminating the single-holder rule, but for now it's still in place.

If you have loans with more than one lender, ask your school's financial aid office which lenders offer the best consolidation deals in terms of discounts and customer service

When you consolidate, consider not including any Perkins loans you may have. It's already a fixed rate loan, so you'll derive no financial benefit from consolidating it and you may, in fact, lose some of the benefits such as certain loan forgiveness provisions.

If you're married and both you and your spouse have student loans, we suggest that you do not consolidate them together into one loan. In the event you divorce, you both will be on the hook for repayment of the full amount. If your split is acrimonious and one of you reneges on your half of the bill, the other person will still be held accountable.

The Department of Education recently indicated that if you're a current student you may choose to consolidate your loans before graduation. To do so, you would need to request early repayment status from your lender and ask for an in-school deferment. One potential drawback to consolidating while in school is that you would need to begin repaying your loan as soon as you graduate, forfeiting the 6-month grace period.