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COLLEGE GRADUATES HAVE FOUR WEEKS TO SAVE THOUSANDS
Graduates save even more money if they consolidate student loans during their grace period

PHOENIX, Ariz. – October 9, 2003 – Recent college graduates who consolidate their student loans in the next few weeks – during their grace period – can lock in fixed interest rates as low as 2.875* percent. Once student loans go into repayment, the interest rates for the federal student loan consolidation program increase to 3.5 percent. Even though the interest rates on the federal consolidation program are at historical all-time lows, more than 50 percent of all students eligible for the program don't take advantage of student loan consolidation, according to the U.S. Department of Education's FY 2004 President's Budget Loan Volumes.

For the most recent college graduates, students who received their diplomas in May, the grace period (the six-month period between graduation and the beginning of loan repayment) on their student loans will end in November and by the holidays, their first payments will be due.

“The first student loan payment could be up to 60 percent lower, and the entire loan balance could be thousands less *if* graduates would consolidate their student loans within the grace period and take advantage of the additional .6 percent savings,” said Mary Jo Lambert, senior vice president of education lending for NextStudent, a national student loan company.

For example, at NextStudent, the average borrower indebtedness is \$30,000. When borrowers with this amount of indebtedness consolidate their student loans during their grace periods at the current interest rate *and* take advantage of an additional .25 percent interest rate reduction with the auto-debit payment option, **the additional savings would be \$3,164.30**** over the life of the loan.

“We aren't sure why over half of all borrowers don't consolidate. Based on talking to people who have consolidated, we think that misconceptions are rampant because “student loan consolidation” sounds very close to “debt consolidation,” said Lambert. “Some graduates thought they had to be in trouble financially, many expressed they thought it would be a hassle or time consuming, others just thought it might be a scam. We think that awareness levels about the consolidation program are low, and we consistently educate students and parents that student loan consolidation is provided by the federal government to help manage and lower their payments and avoid default.”

In fact, qualifying for federal loan consolidation is a simple and quick process with a long list of benefits – including greatly lowering your monthly payment, making it easier to manage student loan debt and saving thousands of dollars all with no fees or pre-payment penalties. The federal student loan consolidation program was originally authorized by the Consolidated Omnibus

Reconciliation Act of 1985 (COBRA), and reauthorized in 1986 under the Higher Education Act, which implemented new regulations to refine and clarify the program. The intent of the consolidation loan program was to provide an opportunity for borrowers with multiple loans and a high level of student debt to consolidate that debt with one lender to allow for one lower monthly payment. The regulations for the federal consolidation loan program can be found at <http://www.nchelp.org/elibraryII/Main/03-FedReg/03A-Final%20Regulations/3A-111086-final%20.pdf>.

For more information on federal student loan consolidation, consumers may visit www.nextstudent.com, or call toll free at 1-800-799-7349.

About NextStudent

NextStudent is dedicated to helping students and their families find affordable ways to pay for college. NextStudent has a portfolio of education lending products and services including an online scholarship search engine, low-cost federal student loans, parent loans, private loans, consolidation programs and college savings plans.

**The consolidated rate is based on the weighted average of the interest rates of the loans being consolidated rounded up to the nearest 1/8th percent or 8.25 percent rate cap – whichever is less.*

***The example used assumes a 20-year repayment term with total payments of \$38,592.92. (If the borrower misses the grace period, they would pay \$41,757.22 over the life of the loan.)*

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