



NEWS RELEASE

FOR IMMEDIATE RELEASE
June 22, 2005

CONTACT: Carole Durante
(916) 526-7991
Jason Warburg
(916) 526-7291

California Student Aid Commission/EdFUND Encourages Student Loan Consolidation before July 1st

RANCHO CORDOVA – The California Student Aid Commission and EdFUND, its auxiliary, are advising California's college-going students, college graduates, and their parents who have borrowed money for education to look at consolidating their education loans into one loan before July 1st. Interest rates for most federal student loans are currently 2.77 percent for students still in school and 3.37 percent for graduates. Rates will rise by nearly 2 percent on July 1, 2005. Consolidating loans now offers most borrowers the chance to lock in a fixed rate near the current record-low interest rates.

In addition, the Commission/EdFUND wants students who are attending college to know that they may be able to consolidate, too. In May, the U.S. Department of Education clarified that college-attending students with government-backed loans from banks and other lenders can consolidate their loans. This action confirmed that borrowers have the option of requesting that their lender(s) put their existing loans into repayment even while enrolled in school, and then applying for a new consolidation loan to pay off those loans.

Borrowers should be aware that entering repayment early comes with a penalty: they lose the six-month grace period after graduation or leaving college. If they remain in school, they can obtain a deferment on the loan consolidation payments.

Previously, borrowers with Federal Direct Loans were allowed to consolidate prior to leaving education programs, but the same borrowers in the lender-based Federal Family Education Loan Program were considered not eligible. Borrowers should contact their lender and college financial aid advisors to learn more about loan consolidation.

- more -

P.O. Box 419045, Rancho Cordova, CA 95741-9045

“The Commission/EDFUND urges those with loans for education to look at taking advantage of low interest rates – now – by consolidating their loans before the July 1st interest rate hikes,” said Diana Fuentes-Michel, executive director of the California Student Aid Commission. “Some high-balance education borrowers take years to pay off their student aid debt, and these borrowers could save considerable interest over the period of the loan.”

As of July 1st, the rate for federal Stafford loans will increase 1.93 percentage points to 5.3 percent for loans that are in repayment, and Federal PLUS loans for parents will rise 1.93 percent to 6.1 percent. This is the first interest rate increase since July 2000. Federal student loan interest rates are typically variable, set annually for the period of July 1 through June 30, and for student borrowers cannot rise higher than 8.25 percent.

“With interest rate hikes for education loans looming, borrowers with high debt should explore loan consolidation today,” said Becky Stilling, President of EDFUND. “By talking the option through with their student loan lenders, borrowers can also make sure they’re making the right choice.”

The loan consolidation program was created by Congress in 1986 so borrowers with multiple loans and higher loan balances could have an easier repayment method. Depending on the amount of the new consolidation loan, payments can be extended to up to 30 years.

While refinancing is helpful for college students and graduates, students in expensive professional programs like medical programs find loan consolidation particularly attractive. Consolidation surged since 2000 when student loan interest rates started dropping.

Lenders may allow applicants to apply as late as June 30th for consolidation at current rates. The Commission/EDFUND reminds borrowers to contact their lenders, and college financial aid advisors to learn more about loan consolidation. To find out more about the California Student Aid Commission and its financial aid programs, visit the Commission’s Web site at www.csac.ca.gov To find out more about EDFUND, visit www.edfund.org

###

The California Student Aid Commission is the state’s principal provider of intersegmental statewide grant aid to postsecondary students. Founded in 1955 as the California State Scholarship Commission, the Commission’s primary programmatic responsibilities include operation of the Cal Grant program, which distributed nearly \$760 million to California’s college students during the 2004-2005 school year; operation of the California Chafee Grant Program; and, several multi-million dollar targeted state scholarship and loan forgiveness programs. The 15-member Commission oversees the activities of its nonprofit student loan services auxiliary, EDFUND. The Commission is headquartered in Rancho Cordova, California.

EDFUND, a nonprofit public benefit corporation, is the nation’s second largest provider of student loan guarantee services under the Federal Family Education Loan Program. EDFUND offers students a wide range of financial aid and debt management information while supporting schools with advanced loan processing solutions and default prevention techniques. Operating as an auxiliary corporation of the California Student Aid Commission, EDFUND processes more than \$7.1 billion in student loans annually (including Consolidation loans) and manages a portfolio of outstanding loans valued at \$24 billion. EDFUND is headquartered in Rancho Cordova, California with regional offices located throughout the nation.

California Student Aid Commission and its associated graphic are the service mark of the California Student Aid Commission. EDFUND and its associated graphic are the registered trademark of EDFUND.

P.O. Box 419045, Rancho Cordova, CA 95741-9045