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**Access Group Offers Students Information and Ways to Evaluate  
Their Options Before They Consider Loan Consolidation**

**Wilmington, DE:** Federal loan consolidation may not be the right choice for many student loan borrowers this spring, even though borrowers have eligible loans they could consolidate. According to Jeffrey E. Hanson, director of borrower education services at Access Group, a nonprofit student loan provider, “The new interest rates will only be 0.08% higher on Federal Stafford and Federal PLUS Loans with variable rates for the period July 1, 2007 through June 30, 2008, than they were for the period from July 1, 2006 through June 30, 2007. The change is too small to impact the fixed rate that would result if a borrower consolidated those loans. That’s because the fixed interest rate on a Federal Consolidation Loan is calculated as the weighted average of the interest rates of the loans being consolidated rounded up to the nearest 1/8 percent (capped at 8.25%). The higher variable interest rates that take effect on July 1, 2007 round up to the same “nearest 1/8 percent” as the current variable rates.

To help borrowers understand these and other important issues as they consider consolidation, Access Group has provided a set of “Frequently Asked Questions” (FAQs) to help borrowers determine if consolidation is right for them. These FAQs are available at [FederalConsolidation.Org](http://FederalConsolidation.Org), a special Web site created by Access Group specifically to provide information about the Federal Consolidation Loan Program. “It’s part of Access Group’s mission to provide information that will assist borrowers in making wise and informed choices,” Hanson continues.

Borrowers should also weigh the following benefits and costs before rushing into consolidation this spring/summer.

- Federal Stafford/Direct Loans first disbursed on or after July 1, 2006 have fixed interest rates. The fixed interest rate structure of the Federal Consolidation Loan provides no advantage to borrowers who have these new fixed rate loans.

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**Consolidation may not be the right choice for all borrowers**

- Many borrowers qualify for the Extended Repayment option on their Federal Stafford/Direct Student and Federal PLUS Loans. That option provides a 25-year repayment period if borrowers have more than \$30,000 in eligible federal student loan debt and first borrowed an eligible federal student loan on or after October 7, 1998. This allows borrowers to reduce their monthly loan payments by extending the length of repayment without having to consolidate the loans.
- Many lenders now offer on-time payment incentives on Federal Stafford and Federal PLUS Loans that are more beneficial financially than those offered on consolidation loans.

Borrowers who graduated this spring and have Federal Stafford Loans that are currently in their grace period also may have heard that they will obtain an interest rate reduction if they consolidate their Stafford loans while they are still in the grace period. “Not exactly correct,” according to Hanson. “Federal Stafford Loans first disbursed prior to July 1, 2006 have a variable interest rate that is 0.6% less while the borrower is in school and during the six-month grace period prior to beginning repayment. If borrowers consolidate their variable rate Stafford loans during the grace period, that lower interest rate will be used to calculate the fixed interest rate on their consolidation loan. But these borrowers do not get an “interest rate reduction” on the consolidation loan; they simply benefit from consolidating while the loan is still at the lower in-grace interest rate. “It’s important to note that this does not apply to a Federal Stafford Loan with a fixed interest rate (those first disbursed on or after July 1, 2006). The interest rate on those loans does not change at any time, and thus, the timing of consolidation on a fixed rate Stafford loan does not impact the interest rate on the corresponding consolidation loan,” Hanson says.

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About Access Group

As a nonprofit organization, Access Group has specialized in providing student loans for graduate and professional education for nearly 25 years. The organization offers no-fee Federal Stafford Loans, no-fee private loans, and money-saving payment incentives on all of our loans, including PLUS Loans and Federal Consolidation Loans. In addition to our competitive loan programs, Access Group offers a full range of educational materials to help students become wiser borrowers and manage repayment successfully. We also serve students and school administrators with a full suite of online services. Visit *AccessGroup.Org* for more information.

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