

June 2006

for school administrators on issues affecting the financial aid community

# access update

## Our Mission . . .

to provide education financing to the broadest range of eligible students, positively influence education financing practices, and provide services valued by students and schools.

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Federal Stafford Loan  
and Federal PLUS Loan  
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If you have questions regarding this or any other publication provided by Access Group, call 800-227-2151, Monday through Friday, 9 a.m. to 8 p.m. ET.

To subscribe to an electronic version of this newsletter, send your name and your school's name to [accessupdate@accessgroup.org](mailto:accessupdate@accessgroup.org).

## Federal Stafford Loan Variable Interest Rates to Rise Again

The variable interest rate on Federal Stafford Loans first disbursed on or after July 1, 1998 and through June 30, 2006, will increase by 1.84% on July 1, 2006. For the period July 1, 2006 – June 30, 2007, the interest rate for these loans will be 6.54% during the in-school period, in grace, and in deferment. The rate will be 7.14% in repayment (including loans in forbearance). As you may know, loans with a first disbursement on or after July 1, 2006, will have a fixed interest rate of 6.8%.

The chart below illustrates how the increase in the variable interest rates for Federal Stafford Loans in 2006-2007 will impact the weighted-average fixed interest rate on Federal Consolidation Loans that are applied for during the July 1, 2006 – June 30, 2007 period.

Stafford Loan Status	2006 – 2007			Increase over 2005 – 2006 fixed rate
	Underlying Stafford Rate	Weighted Average	Fixed rate rounded up to nearest 0.125%	
In grace or deferment	6.54%	6.54%	6.625%	1.875%
In repayment or forbearance	7.14%	7.14%	7.250%	1.875%

Check out "Consolidation Corner" in this issue for more information about the impact of the new interest rates. Review what your students and alumni can do to lock in the 2005-2006 rates before the rate increase on July 1, 2006 (which is also the date when students lose the ability to consolidate while enrolled in school).

**New Poster!** Access Group has created a new FFELP interest rate poster that includes Graduate PLUS Loan information, the new 2006-2007 variable interest rates on Federal Stafford Loans, and the new fixed interest rate for Stafford and PLUS loans with a first disbursement on or after July 1, 2006. We'll be sending you two copies by mail in the next week to display in your office, but if you need more, you can order them at <http://www.accessgroup.org/materials/index.htm>.

### Celebrating Independence

Access Group offices will be closed on Tuesday, July 4 in observance of Independence Day. Our Voice Response System will continue to be in service, as will eAccess, Account Access, and Loan OnLine at our Web site.

### Also in this issue:

- See us at NASFAA 2006
- What's new at AccessGroup.Org
- Consolidation Corner
- School Services Welcomes New Staff

## Access Group at NASFAA 2006

If you're going to Seattle for NASFAA's annual conference July 5-8, we'd love to see you there! You'll have no trouble finding us in the Washington State Convention and Trade Center. At our display booth, located on island # 100, you'll find our staff eager to greet you, ready to answer your questions, and happy to explain the nonprofit difference that sets Access Group apart.

You'll also find Access Group staff participating in two Financial Aid Business Seminars:

- "Understanding Others and Knowing Yourself — Determining Your Personal Behavior Pattern"  
Presented by Jeff Hanson, Director of Borrower Education Services  
Wednesday, July 5, 2:15 - 3:30 p.m.
- "Career Paths for Financial Aid and Admissions Professionals: Where Do I Go From Here?"  
Presented by Bryan Hinkle, Account Executive  
Friday, July 7, 8:45 - 10:00 a.m.

Access Group is also pleased to support NASFAA through our sponsorship of the continental breakfast on Friday, July 7.

We look forward to seeing you in Seattle!

## What's New at AccessGroup.Org?

Coming soon to Access Group's Web site — new look and new navigation! This redesign of our site will make it easier for students to zip around, dive in, and quickly find what they need, from online application to account history and everything in between.

For students, the redesign of *AccessGroup.Org* will feature a faster, improved online loan application and "My Account," a new section for borrowers.

For you and your staff, the redesign will include updates to eAccess that provide for Graduate PLUS-related services: loan certification, print/view, hold and release, reports, and loan overview. (Although these new services will appear on the site, they will not be functional until July 1, 2006, when Access Group begins accepting certifications for Graduate PLUS Loans.)

As you'll soon see, there's a lot that's new at *AccessGroup.Org* — and in the weeks to come, you'll be hearing more about it! So, watch your e-mail for updates. We'll also be communicating with borrowers by e-mail and letter about the new features coming to our Web site.

## Capitalization Update

In the May issue of *Access Update*, we described our interest capitalization policy for Stafford Loans and explained how borrowers in a continuous period of deferment or forbearance immediately after leaving school could benefit from delayed capitalization. We're pleased to confirm that this policy will apply to your students' Federal Consolidation Loans and PLUS Loans, too.

(See the complete article, "Workshop Recap: Interest Capitalization Policy for Federal Loans" in the May issue at *AccessGroup.Org*.)

### *Private loan consolidation may not be to your students' advantage*

At a time when consolidation is in the news, students are being bombarded with information regarding a variety of loan products, including private loan consolidation.

To help clarify some of the issues surrounding private loan consolidation, Access Group recently sent a mailing to its student borrowers explaining that private loan consolidation may not serve their best interests. With private loan consolidation, students face the possibility of increased costs as they increase their repayment period (Access Group already offers a generous 20-year repayment period regardless of the loan amount); they may lose their grace period; and they may incur additional fees, in some cases paying fees twice on the same debt.

In addition, the interest rate on the private consolidation loan is likely to be higher than the rate on current loans, potentially resulting in thousands of dollars of additional interest over the life of the loan.

For more information, please contact your Internal Account Executive.

## Consolidation Corner

### Financial Impacts of the Stafford Loan Interest Rate Increase

The pending 1.84% increase in the variable interest rate on Federal Stafford Loans first disbursed from July 1, 1998 through June 30, 2006, will mean higher costs to borrowers with these loans. To avoid this higher cost, borrowers can apply for a Federal Consolidation Loan (FCL) and lock in current rates, but the consolidating lender must receive their completed FCL application by June 30, 2006.

The following charts illustrate how monthly payments and total payouts would differ based on when a borrower's Federal Consolidation Loan application is received by the consolidating lender.

Total Amount Consolidated	Monthly Payment 2005 - 2006 Rate	Monthly Payment 2006 - 2007 Rate	Increase in Monthly Payment
\$60,000	\$313	\$384	\$71
\$80,000	\$417	\$512	\$95
\$100,000	\$522	\$640	\$118
\$125,000	\$652	\$800	\$148
\$150,000	\$782	\$960	\$178

Total Amount Consolidated	Total Paid 2005 - 2006 Rate	Total Paid 2006 - 2007 Rate	Increase in Total Paid
\$60,000	\$112,676	\$138,307	\$25,631
\$80,000	\$150,234	\$184,410	\$34,176
\$100,000	\$187,793	\$230,512	\$42,719
\$125,000	\$234,741	\$288,140	\$53,399
\$150,000	\$281,690	\$345,768	\$64,078

In this example, we assume that the application is received while the loans being consolidated are still in their grace period or in a deferment status, and thus, are eligible for the lower (in-school) rate. A weighted-average, fixed interest rate of **4.750%** was used for applications received prior to July 1, 2006 (the 2005-2006 variable rate) and **6.625%** was used for applications received on or after July 1, 2006 (the 2006-2007 variable rate). The repayment term is the maximum 30 years, with equal monthly payments, and no payment incentives applied.

As you can see, the increase in the monthly payment is \$71 when the amount being consolidated equals \$60,000, and the borrower will pay \$25,631 more over the 30-year repayment term, simply because his or her Federal Consolidation Loan application was not received by the lender prior to July 1, 2006, when the variable interest rates are reset on Federal Stafford Loans. This represents a 23% increase in both the monthly payment and the total amount paid. The same is true for all other amounts consolidated as shown in this chart. (Because the repayment term is 30 years in all cases shown here, the percentage changes in amounts paid per month and total paid are the same. The percentages would be different if the length of repayment term differed.)

### So what should your students and alumni do?

Your in-school students and your graduates can lock in today's relatively low interest rates for their Federal Stafford/Direct Loans by applying for a Federal Consolidation Loan through Access Group *no later than June 30, 2006*.

And remember, **in-school students also must request that the federal student loans they are consolidating be placed in early repayment so that they can be consolidated.** This request must be received by the current holder/servicer of those loans by June 30, 2006.

Direct your borrowers to [FederalConsolidation.Org](http://www.federalconsolidation.org), where they can apply online, use our consolidation calculators, and obtain answers to frequently asked questions. You also may want to visit the school administrators section of our Web site at [http://www.accessgroup.org/education\\_pr/fcl\\_info.htm](http://www.accessgroup.org/education_pr/fcl_info.htm) for text you can e-mail to your borrowers about consolidation.

## School Services Welcomes New Staff

We are pleased to introduce **Dawn Bedford** and **Lauren Godwin**, new Internal Account Executives who have joined our School Services team, completed their training, and have already begun serving the schools in their regions.

Dawn is supporting our customers in the SASFAA region, while Lauren is serving our customers in New York City and Long Island. Both Dawn and Lauren came to Access Group from Goldey-Beacom College, where they were admissions and financial aid counselors for five years.

In addition, we welcome **Kevin Allen** to the position of Senior Internal Account Executive. Kevin comes to Access Group with more than 15 years of experience in financial services. And don't be surprised if you hear Kevin's voice on the other end of the line when you call — he'll be fielding some calls for the next few months to get to know you and learn how to better serve your needs.

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## The Meeting Calendar

Look for Access Group staff attending or participating in these June and July events:

<b>June 19 – 20</b>	American Student Assistance Symposium	Boston, MA
<b>June 21 – 23</b>	Mississippi Financial Aid Administrators Annual Conference	Jackson, MS
<b>June 25 – 28</b>	Michigan Financial Aid Administrators Summer Conference	Boyne Islands, MI
<b>July 5 – 8</b>	NASFAA 2006 Annual Conference	Seattle, WA
<b>July 7 – 11</b>	NACUBO Annual Meeting	Honolulu, HI
<b>July 13 – 14</b>	Education Finance Council Midyear Meeting	Arlington, VA

### Save the date!

Mark your calendars now for Access Group's 2006 Graduate and Professional Financial Aid Conference, November 16 – 19, at The Ritz Carlton, Amelia Island, Florida. Although this premier educational conference is 23 weeks away, it will be here before you know it. As a reminder, a "Save the Date" post card will soon be arriving in the mail.

### 3-Month LIBOR for Second Quarter 2006

The current index effective for April, May, and June 2006 is 4.823%.

The interest rate charged on a borrower's private loan from Access Group will equal this index rate plus the percentage spread applicable to the loan.

**Reminder:** The effective 3-month LIBOR rate is always available in the "Loan Terms" section of [AccessGroup.Org](http://AccessGroup.Org). Also on our Web site is information about LIBOR, which includes a 10-year comparative history of LIBOR, Prime, and T-bill rates. And our Interest Rate Comparison Calculator also helps students determine the lowest interest rate when comparing rates based on different indexes. Try it for yourself at [www.accessgroup.org/calculators/rate.htm](http://www.accessgroup.org/calculators/rate.htm).

### Federal Stafford Loan Interest Rates

Federal Stafford Loans borrowed on or after July 1, 1998, will have the following rates in effect from July 1, 2005 to June 30, 2006:

- In school, grace, deferment:  
91-day T-bill (3.00%)  
+ 1.7% = 4.70%
- In repayment, forbearance:  
91-day T-bill (3.00%)  
+ 2.3% = 5.30%
- Maximum rate = 8.25%