

FOR IMMEDIATE RELEASE
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KENNEDY URGES COLLEGE STUDENTS TO CONSOLIDATE STUDENT LOANS

Washington, D.C. – Today, Senator Edward M. Kennedy urged college students nation-wide to consolidate their student loans before interest rates jump almost 2 percentage points on July 1st. This increase will be one of the largest single-year increases in the 40-year history of the federal student loan programs. Because changes in law that will limit loan consolidation options for student borrowers will also become effective on July 1, Senator Kennedy urges students to consolidate to take advantage of current law and interest rates.

“As the costs of college continue to skyrocket, more and more students are graduating deep in debt. Congress must do more to reduce interest rates and expand benefits for students and families in order to make college more affordable for all Americans. In the meantime, I urge students to lock in today’s lower rates by consolidating their student loans before July 1st.”

Currently, over nine million people are borrowing Stafford loans, and 73% of graduates from private 4-year colleges and 62% of graduates from public 4-year colleges have student loan debt. Loan consolidation enables students to pay off their current loans, which may have different and variable rates, with the proceeds of a single, new loan at a fixed interest rate instead of multiple payments. Consolidated loans also allow students to lock in today’s lower interest rates for the duration of the loan.

Below is a letter Senator Kennedy released to students nationwide:

May 11, 2006

Dear Student Loan Borrower:

On July 1st, interest rates on variable-rate federal student loans will rise by nearly 2 percentage points, one of the largest single-year increases in the 40-year history of the federal student loan program. Changes in the law will take effect on that date as well, which will limit the option of loan consolidation for student borrowers. If you have not already consolidated your student loans to lock in a fixed interest rate, I strongly urge you to consider doing so quickly, before the rates go up and the changes take effect.

The loan consolidation option was enacted by Congress in 1986 for students who leave college with multiple student loans. The consolidated loan benefit enables them to pay off their current loans, which may have different and variable rates, with the proceeds of a single, new loan at a *fixed* interest rate.

Under a consolidated loan, instead of making multiple payments, a borrower makes only one payment a month. The consolidated loan also locks in today’s lower interest rate for the life of the loan. The combination of these two advantages makes it easier for students to keep loan payments on track and avoid costly delinquency or default charges.

For most recent borrowers who consolidate their student loans before July 1st, the relevant fixed interest rate is 5.38%. If you are considering consolidation and complete your application while

still in college or within 6 months after graduation, but before June 30, you are entitled to an *additional* reduction under the Direct Loan Consolidation Program, which could bring your interest rate down to 4.75%. You can reduce that rate by an additional 0.25 percentage point if you enroll in the automatic payment program.

The Direct Loan Program also offers an Income Contingent Repayment Plan, which enables you to link loan repayments to your salary, to help you manage the repayments more easily. Many Federal Family Education Loan lenders offer the same generous interest rate as the Direct Loan Program and other benefits for borrowers.

I opposed the changes Congress made in the law in February to restrict the consolidation options that borrowers now have. I'm working in Congress to reverse these changes before they take effect on July 1st, and to provide additional options to reduce the cost of student loans. Current law, for example, does not allow borrowers to "reconsolidate" – i.e., refinance – a consolidated student loan, but it should. Borrowers who consolidated their loans at higher interest rates in the past deserve to be able to refinance their loans again when interest rates go down, just as homeowners take advantage of lower rates by refinancing their mortgages.

I'm also working to reduce interest rates for all student loan borrowers. Lenders are making record profits under the government's college loan program, and restricting student loan benefits is an unfair way to reduce the federal budget deficit.

According to the Congressional Budget Office, federal student loan interest rates are projected to rise this July and remain at that level each July in the near future. According to the Congressional Research Service, the fixed interest rate benefit today saves over \$2,100 for typical, new student borrowers over the life of their college loans.

Please take a few minutes to see if student loan consolidation is an option for you. Even borrowers who have only one federal student loan may be eligible to use the loan consolidation benefit to lock in today's lower interest rate. You can call 1-800-557-7392 or TDD 1-800-557-7395 or go to <http://www.ed.gov/offices/OSFAP/DirectLoan/consolid2.html> to obtain specific information about your potential savings. I urge you to take advantage of this important opportunity while there is still time to do it.

With best wishes for the future,

Sincerely,

Edward M. Kennedy

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