

**Washington, D.C.** - On July 1, 2006, the interest rates on Federal Family Education Loans (FFEL) and William D. Ford Direct Loans (DL) are expected to rise to their highest levels in six years. For loans that were disbursed on or after July 1, 1998, but before July 1, 2006, new higher interest rates will go into effect on July 1, 2006. To lock in current, lower interest rates, borrowers under both the FFEL and DL programs may consolidate their loans before July 1.

What is loan consolidation?

Students and parents who have taken out at least one loan through the federal government's FFEL or DL programs may be eligible to refinance their loan(s) while locking in a low fixed rate over the life of their loan(s).

How can I consolidate my loans?

If you have a DL through the Department of Education, you can call 1-800-557-7392 or apply on-line at <https://loanconsolidation.ed.gov/appentry/appindex.html>. If you have a loan through the FFEL program (a bank-based loan), you can contact one of the companies that own or service your student or parent loan(s).

If you have federal loans with more than one lender, you can choose to consolidate through the U.S. Department of Education or with any lender that provides federal consolidation loans.

When is the deadline to consolidate and lock in a low fixed rate?

The deadline is June 30, 2006, but you should apply as soon as possible to beat the rush of applications.

Why should student and parent borrowers consider consolidating before July 1, 2006?

Consolidation may deliver significant benefits to borrowers, including eliminating the need for dealing with multiple lenders or allowing borrowers to enroll in payment plans based on a percentage of their income. Borrowers who make a set number of on-time repayments or who make payments through automatic banking can obtain additional interest rate reductions.

Can student borrowers consolidate their loans while they are still in school?

Before July 1st, you may be eligible to consolidate your loans while you are still in school. Before choosing this option, however, you should determine whether it might affect your repayment grace period after leaving school.

Can borrowers consolidate Perkins loans?

Students who have borrowed Perkins loans, which carry a fixed interest rate of 5 percent and offer loan forgiveness to graduates working in certain fields such as teaching or social work, should carefully consider whether or not consolidation is right for them. If Perkins loan borrowers consolidate their loans, they lose their loan forgiveness benefits.

For more information, borrowers should contact the U.S. Department of Education at 1-800-557-7392, at <http://www.ed.gov/students/college/repay/2006-changes.html> , or at

<http://studentaid.ed.gov/PORTALSWebApp/students/english/consolidation.jsp?tab=repaying> .

Democrats vs. Republicans on Student Loans

Democrats have been working hard to assist students and parents with the skyrocketing costs of education. Unfortunately, the Republican Congress insists upon saddling students and parents with greater financial burdens by cutting \$12 billion from federal student loan programs

and re-writing the interest rate formulas which have resulted in the spike in interest rates detailed above.

To determine how your students loan payments would fare under Democratic proposals as compared to Republican proposals in Congress, visit the House Democrats' Student Loan Calculator.