



June 28, 2007

Student loan payments on your mind?

Consolidation can put money back into the pockets of recent grads

For recent college graduates, the summer means the end of classes, the beginning of careers and for many, looming student loan payments. CollegeInvest, Colorado's not-for-profit higher education financing resource, can help manage that debt with student loan consolidation that puts money back in the pockets of new graduates.

Every year more than half of U.S. college students borrow money to attend school knowing they will have to start repayment six months from the date they turn the tassel. May graduates still have a while before they feel the effect on their wallets but consolidating early can mean big savings.

Graduates, with variable rate loans, who consolidate early can benefit from locking in their grace period rate. The grace period rate is 0.6% lower than the in-repayment rate that will take effect six months after college graduation.

This year, CollegeInvest helped over 6,000 graduates consolidate their student loans into manageable repayment plans each year. Consolidating student loans is a debt management strategy that locks in a low interest rate and reduces the monthly payment – sometimes by as much as half. The extra money consolidation frees up can make a big difference to recent graduates who are just starting their career or anyone else who makes payments on student loans.

“With a fixed interest rate, great borrower benefits and access to our team of higher education financing experts, CollegeInvest offers a unique consolidation opportunity,” said Kathryn Powell of CollegeInvest.

Here's an example of how a borrower can save:

A graduate who owes \$25,000 in student loans at today's in-repayment interest rate of 7.14 percent (for any loans disbursed before July 1, 2006) will start monthly payments of approximately \$292 six months after graduation.

That same student who consolidates the same amount of student loans with CollegeInvest during their grace period would still not have to make the first payment for six months but the student could secure an interest rate as low as 5.375 percent with CollegeInvest's borrower benefits. The monthly payment could be as low as approximately \$186 and CollegeInvest's borrower benefits could save the student almost \$6,500 over the life of the loan.

This scenario assumes that the student would qualify and participate in all of CollegeInvest's borrower benefits, which include:

- 1 % principal reduction at time of loan consolidation.
- 0.25 % interest rate reduction if monthly loan payment is automatically transferred from a bank.
- 1 % interest rate reduction if the student makes the first 24 consecutive payments on time.

Consolidation is often a good option even if your six month grace period has ended. Anyone with an unconsolidated federal student loan could benefit from consolidating through CollegeInvest to make their payments more manageable.

About CollegeInvest

CollegeInvest is a not-for-profit division of the Colorado Department of Higher Education. Since 1979, CollegeInvest has helped more than half a million families break down the financial barriers to college by providing expert information, simple planning tools, scholarships, college savings plans, and low-cost student and parent loans. For more information, visit www.collegeinvest.org or call 1-800-448-2424 or contact your financial advisor.

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