Student loan interest rates to change

91-day T-bill auction to determine future rates

(Lincoln, NE) - Will student loan interest rates drop to historic lows in 2004? The May 24 auction of United States 91-day Treasury Bills (T-bills) will determine the new student loan interest rate for students, as well as most parents and college graduates. According to Nelnet, over the life of the loan the slightest shifts in interest rates can impact borrowers.

The variable interest rate on most federally-guaranteed student loans is readjusted annually based on the final 91-day T-bill auction prior to June 1 and is effective July 1. The formula is equal to the bond-equivalent rate for the T-bill plus an interest rate margin set by the Department of Education. The add-on for loans disbursed on or after July 1, 1998 is 1.7% for borrowers with Stafford loans in school, grace, or deferment; 2.3% for borrowers with Stafford loans in repayment; and 3.1% for PLUS loans for parents.

"Whether interest rates rise or fall, the change is likely to be minor," said Don Bouc, Nelnet President and chief spokesperson. "For example, based on today's T-bill rate, the interest rate on federal student loans would drop slightly to historic lows for the fourth year in a row. A continuation of these low rates will help make higher education more affordable for families."

Stafford loans made after July 1, 1998 currently receive an interest rate of 2.82% for borrowers in school, grace, or deferment, and 3.42% for borrowers in repayment. Meanwhile, PLUS loans for parents carry a 4.22% interest rate. These calculations are based on the May 2003 T-bill rate equivalent of 1.12%. If T-bills continue to trade near 1%, student borrowers might see interest rates of 2.7% or lower. In addition, Nelnet offers competitive benefits that can save Stafford and PLUS loan borrowers even more.

Recent college graduates can lock-in these historic low rates by consolidating their student loans. Federal student loan consolidation combines multiple federal student loans, such as Stafford and PLUS loans, into one fixed-rate loan with one low monthly payment. The fixed interest rate for the new loan is the weighted average of the interest rates of the original federal student loans, rounded up to the nearest 1/8%. Even a small drop in interest rates on a Consolidation loan can have a significant, positive impact over the life of the loan by reducing the interest paid each month.

"Nelnet is working with our customers to ensure they receive the lowest interest rate possible on their Consolidation loan," added Mr. Bouc. "We are holding completed consolidation applications until the new rate is announced. If it is lower, we will wait to complete the consolidation process until after the new rate goes into effect on July 1. If it is higher, we will consolidate the loans immediately at the current rate. That way, no matter which way rates go, borrowers are assured the lowest possible rate."

In addition, Nelnet offers valuable benefits to borrowers who complete and electronically sign their Consolidation loan application online, including a 1% interest rate reduction after 36 initial, regular, on-time payments and an additional .25% interest rate reduction for auto-debit payments. Together, these benefits reduce borrowers' rate by another 1.25%, potentially saving thousands of dollars in interest over the life of the loan.

More information regarding student loan consolidation is available at www.consolidation.nelnet.net or by calling toll-free at 1.866.4CONSOL (426.6765).

Nelnet offers a broad range of financial services and technology-based products, including student loan origination, holding, guarantee servicing, and a suite of software solutions. With over $12 billion in total assets, Nelnet originates in excess of $2 billion for itself and its service partners annually, and its servicing software is used by 35 clients, including Nelnet, to service over $46 billion in student loans. Nelnet ranks among the nation's leaders in terms of total student loan assets.

Additional information about the company is available at www.nelnet.net.

Nelnet is a registered service mark of Nelnet, Inc. All rights reserved.