Student Loan Rates Drop to Historic Lows, Again

LINCOLN, Neb., May 24, 2004 /PRNewswire via COMTEX/ -- The results of today's United States 91-day Treasury Bill auction will send record low student loan interest rates even lower for the fourth year in a row. According to Nelnet (NYSE: NNI), the National Education Loan Network, the new interest rate on federal Stafford loans made on or after July 1, 1998 will be 2.77% for borrowers in school, grace, or deferment and 3.37% for borrowers in repayment. Federal PLUS loans for parents made on or after July 1, 1998, will have a new rate of 4.17%. These new rates will be in effect from July 1, 2004 through June 30, 2005.

"The record low interest rates are great news for students, as well as most parents and college graduates with education loans," said Don Bouc, Nelnet President and chief spokesperson. "These low rates will make paying for college more affordable for families."

Borrowers with Stafford and PLUS loans disbursed on or after July 1, 1998 may benefit from the new rates through a lower monthly payment. In addition, the new rates will continue to provide a financial advantage to borrowers eligible for loan consolidation. Borrowers with student loans in repayment can extend their repayment period and lock-in an interest rate as low as 3.375%, down from 3.5%, with a Consolidation loan. Borrowers in their grace period can continue to lock-in a rate as low as 2.875%. For new graduates on a tight budget, this can significantly reduce their monthly payment.

If borrowers considering loan consolidation will benefit from the new interest rate, Nelnet will hold their completed Consolidation loan applications until the lower interest rate becomes effective July 1. Student loan consolidation combines multiple federal student loans, such as Stafford and PLUS loans, into one loan with one low monthly payment. The new fixed interest rate for a Consolidation loan is determined by taking the weighted average of the interest rates of the original federal student loans, rounded up to the nearest 1/8%.

"These new rates provide college graduates a tremendous opportunity to lock-in historically low rates by consolidating their student loans," added Mr. Bouc. "A Consolidation loan at these low rates, could potentially save borrowers thousands of dollars in interest over the life of the loan if interest rates increase."

The variable interest rate on most federally-guaranteed student loans is reset annually based on the final auction of the 91-day T-bill held 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 Congress. The margin for loans disbursed on or after July 1, 1998 is 1.7% for Stafford borrowers who are in school, grace, or deferment; 2.3% for Stafford borrowers who are in repayment; and 3.1% for parents with PLUS loans. The Department of Education will confirm these rates with an official announcement in the near future.

More information regarding student loan consolidation is available at http://www.consolidation.nelnet.net or by calling toll-free at 1.866.426.4CONSOL (426.6765).

About Nelnet

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 $49 billion in student loans. Nelnet ranks among the nation's leaders in terms of total student loan assets.

Our products are designed to simplify the student loan process by automating financial aid delivery, loan processing, and funds disbursement. Our services help to facilitate and streamline education finance for all involved in the industry, including student and parent borrowers, lenders, financial aid officers, guaranty agencies, governmental agencies, servicers, and the capital markets.

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