



## Student Loan Rates to Climb 70 Percent

### Graduates Can Save Thousands of Dollars by Consolidating Before July 1

LINCOLN, Neb., May 31, 2005 /PRNewswire via COMTEX/ -- For the first time in five years, student loan interest rates will rise when they are reset on July 1, 2005. Student loan interest rates will increase by almost 70 percent, based on the results of today's United States 91-day Treasury Bill (T-bill) auction.

Loan Type	Current Rate effective 7/1/04- 6/30/05	New Rate effective 7/1/05- 6/30/06	Percent Increase
Stafford (in school, grace or deferment)	2.77%	4.70%	70%
Stafford (in repayment)	3.37%	5.30%	57%
PLUS	4.17%	6.10%	46%
Consolidation (Stafford loans in grace or deferment)	2.875%	4.75%	65%
Consolidation (Stafford loans in repayment)	3.375%	5.375%	59%
Consolidation (PLUS loans)	4.25%	6.125%	44%

Note: Rates are for Stafford and PLUS loans first disbursed on or after July 1, 1998.

For many borrowers the opportunity to lock in the current low interest rates is quickly fading away. On July 1 federal Consolidation loan interest rates will climb to 4.75 percent for Stafford borrowers in grace or deferment and to 5.375 percent for Stafford borrowers in repayment. However, students and graduates still have time to consolidate eligible student loans at today's low interest rate of 2.875 percent for Stafford borrowers in grace or deferment or 3.375 percent for Stafford borrowers in repayment. Consolidating before the rate change could save a borrower thousands of dollars.

A student loan borrower with a \$20,000 balance and 20-year term can save almost \$4,698 in interest by completing and sending in his or her Consolidation loan application before July 1. Over the life of the loan, the interest expense at the current consolidation interest rate of 2.875 percent for Stafford loans in grace or deferment would be near \$6,321 as compared to more than \$11,019 in interest at the new rate of 4.75 percent.

In addition, Nelnet offers valuable benefits to borrowers, including a choice of a one percent interest rate reduction after 36 consecutive, uninterrupted payments or a 3.33 percent reduction to loan principal applied after 30 consecutive, uninterrupted payments. Borrowers can also receive a 0.25 percent interest rate reduction for auto-debit payments. Together, these Nelnet borrower benefits can save hundreds and possibly thousands of dollars in interest over the life of the loan.

"To take advantage of this money saving opportunity, new graduates need to act soon," said Cheryl Watson, Nelnet Chief Communications Officer. "For most new graduates, consolidating their student loans is the right thing to do and will save them thousands of dollars if they complete and return an application before July 1."

Through consolidation, borrowers can combine multiple federal student loans, such as Stafford loans, into one loan with one low monthly payment. The Consolidation loan fixed interest rate is determined by taking the weighted average of the interest rates of the original federal student loans, rounded up to the nearest 1/8 percent.

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 Higher Education Act of 1965, as amended. Today's bond-equivalent rate for the 91-day T-bill was 2.998 percent, up from 1.066 percent in 2004. The margin for loans disbursed on or after July 1, 1998, is 1.7 percent for borrowers with Stafford loans in school, grace, or deferment; 2.3 percent for borrowers with Stafford loans in repayment; and 3.1 percent for PLUS loans for parents. The Department of Education is expected to confirm the rates in the table above with an announcement in the near future.

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

Nelnet is one of the leading education finance companies in the United States and is focused on providing quality products and services to students and schools nationwide. Nelnet ranks among the nation's leaders in terms of total net student loan assets with \$14.5 billion as of March 31, 2005. Headquartered in Lincoln, Nebraska, it originates, consolidates, securitizes, holds, and services student loans, principally loans originated under the Federal Family Education Loan Program of the U.S. Department of Education, which we refer to as the FFEL Program or the FFELP.

Additional information is available at [www.nelnet.net](http://www.nelnet.net).

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