

THE PROJECT ON STUDENT DEBT

MEMORANDUM

TO: Personal finance writers and columnists, and higher education reporters

FR: Robert Shireman, Executive Director of the Project on Student Debt

DT: June 17, 2008

RE: A Guide to Student Loan Changes Taking Place on July 1, 2008

Each July 1, interest rates and other key terms change for federal student loans. This year, interest rates decrease and borrowers in public service professions can take a major step toward student loan forgiveness.

The following is a summary of what college students, their parents, and people already repaying their student loans need to know about these changes. A complete consumer fact sheet with more details is available at: <http://projectonstudentdebt.org/july1-2008.vp.html>

Rates Go Down on New Stafford Loans

- The fixed interest rate for new subsidized Stafford loans drop from 6.8% to 6.00% for undergraduates.
- Origination fees for all Stafford loans drop by half a percentage point, to 2% of the amount borrowed.

More Loan Funds Become Available

- Undergraduates can borrow an additional \$2,000 each year in unsubsidized Stafford loans at a fixed interest rate of 6.8%. The total amount of Stafford loans, including both subsidized and unsubsidized, that undergraduates can borrow over their college career is also increasing.

Start the Clock for Public Service Loan Forgiveness

- Borrowers who have already consolidated their federal loans with a private lender in the FFEL program can *reconsolidate* into the Direct Loan program to become eligible for Public Service Loan Forgiveness. This is a new federal program that will forgive remaining federal student loan debt after 10 years of qualifying loan payments and eligible full-time employment.

Borrowers with Variable-Rate Loans Can Lock in New Low Rates

- The variable rate for unconsolidated Stafford loans taken out before July 1, 2006 is going down to 4.21%.
- For class of 2008 graduates, the news is even better. If they consolidate during their six-month grace period, they can lock in an even lower rate, 3.61%.

For more information, or to schedule an interview, please contact Gretchen Wright at 202/371-1999, or Shannon Gallegos at 510/883-7315.