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Interest Rates Drop Slightly on Some Variable Rate Federal Student Loans

Loans issued on or after July 1, 1998, through June 30, 2006



If you have a federal Stafford or PLUS Loan issued on or after July 1, 1998, through June 30, 2006, the interest rates on these loans reset every July 1. Beginning July 1, 2011, the new interest rates are 2.36% for Stafford Loans in repayment status (down from 2.47%); 1.76% for Stafford Loans in school, grace period, or deferment status (down from 1.87%); and 3.16% for PLUS Loans in repayment status (down from 3.27%). These new rates will be in effect through June 30, 2012, when they will reset again.

If you have more than one of these variable rate federal student loans, you can convert your variable interest rate to a fixed interest rate by consolidating your loans under the federal government's loan consolidation program. The interest rate on a consolidation loan is a fixed rate that's equal to the weighted average of the current applicable interest rates on the loans being consolidated, rounded up to the nearest 1/8th of a point (and capped at 8.25%). Lowering your interest rate can potentially save you hundreds or thousands of dollars over the life of the loan.

Here are some things to keep in mind about federal loan consolidation:

You can only consolidate your loans once, so if you did so previously, you can't do so again

You can't add private student loans into a federal consolidation loan

If you're still in school, you can't consolidate your loans--you must wait until you graduate

If you are eligible to consolidate your loans, you'll need to go through the Federal Direct Loan Consolidation program. For more information, visit www.loanconsolidation.ed.gov.

Loans issued on or after July 1, 2006

Loans issued after July 1, 2006, typically have a fixed interest rate. To see the current rate on unsubsidized Stafford Loans, subsidized Stafford Loans ("subsidized" means the federal government pays the interest while the borrower is in school, and during grace and deferment periods), and PLUS Loans, see the table below.

Stafford Loan: Subsidized

Stafford Loan: Unsubsidized

PLUS Loan

Issued July 1, 1998, through June 30, 2006

2.36% for loans in repayment (down from 2.47%)

1.76% for in-school, grace period, and deferment status loans (down from 1.87%)

Same as subsidized Stafford Loan

3.16% (down from 3.27%)

Issued on or after July 1, 2006

3.4% fixed for loans disbursed on or after July 1, 2011, through June 30, 2012

4.5% fixed for loans disbursed on or after July 1, 2010, through June 30, 2011

5.6% fixed for loans disbursed on or after July 1, 2009, through June 30, 2010

6.0% fixed for loans disbursed on or after July 1, 2008, through June 30, 2009

6.8% fixed for loans disbursed on or after July 1, 2006, through June 30, 2008

6.8% fixed

7.9% fixed for PLUS Loans issued through the Direct Loan program (all PLUS Loans must now be issued this way)

8.5% fixed for PLUS Loans issued through the Federal Family Education Loan Program (allowed July 1, 2006, through June 30, 2010)

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