



**JAS Financial Services,  
LLC**  
Joseph A. Smith, CPA/ PFS,  
JD®, AEP  
Member  
3451 Harrison Street  
Evanston, IL 60201  
847-328-8011  
joe@jasfinancialllc.com  
www.jasfinancialllc.com

## Interest Rates Drop Slightly on Some Federal Student Loans

July 23, 2010

## Interest Rates Drop Slightly on Some 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 July 1, 1998 through June 30, 2006, the interest rates on these loans reset every July 1. Beginning July 1, 2010, the new interest rates are 2.47% for Stafford Loans in repayment status (down from 2.48%); 1.87% for Stafford Loans in school, grace period, or deferment status (down from 1.88%); and 3.27% for PLUS Loans in repayment status (down from 3.28%). These new rates will be in effect through June 30, 2011, when they will reset again.

### Federal loan consolidation

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%). For example, suppose you have three separate variable rate Stafford Loans that you're currently repaying. If you consolidate them, your new fixed interest rate for the life of the loan would be 2.5% (2.47% rounded up to the nearest 1/8th of a point). Lowering your interest rate can potentially save you hundreds or thousands of dollars over the life of the loan.

There are some things to keep in mind about loan consolidation:

- You can only consolidate your loans once, so if you did so previously, you can't do it 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](http://www.loanconsolidation.ed.gov).

### Loans issued on or after July 1, 2006

If you have an unsubsidized Stafford Loan or PLUS Loan issued on or after July 1, 2006, your loan will have a fixed interest rate for the life of the loan. For unsubsidized Stafford Loans ("unsubsidized" means the federal government does not pay the interest while you are in school or during grace and deferment periods; these loans are not based on financial need), the interest rate is 6.8%. For PLUS Loans, the interest rate is 7.9%.

However, for subsidized Stafford Loans ("subsidized" means the federal government pays the interest while the borrower is in school and during grace and deferment periods; subsidized loans are based on financial need), the interest rate for the period July 1, 2010 through June 30, 2011 is 4.5% (the rate will decrease to 3.4% for the period July 1, 2011 through June 30, 2012).

### Summary

The following table highlights the interest rates on different types of federal student loans.

	Stafford Loan: Subsidized	Stafford Loan: Unsubsidized	PLUS Loan
Issued July 1, 1998 through June 30, 2006	<ul style="list-style-type: none"> <li>• 2.47% for loans in repayment (down from 2.48%)</li> <li>• 1.87% for in-school, grace period, and deferment status loans (down from 1.88%)</li> </ul>	same as subsidized Stafford Loan	3.27% (down from 3.28%)
Issued on or after July 1, 2006	<ul style="list-style-type: none"> <li>• 4.5% for loans disbursed on or after July 1, 2010 through June 30, 2011</li> <li>• 3.4% for loans disbursed on or after July 1, 2011 through June 30, 2012</li> </ul>	6.8% fixed	7.9% fixed



**JAS Financial Services,  
LLC**

Joseph A. Smith, CPA/ PFS,  
JD®, AEP  
Member  
3451 Harrison Street  
Evanston, IL 60201  
847-328-8011  
joe@jasfinancialllc.com  
www.jasfinancialllc.com

The foregoing is provided for information purposes only. It is not intended or designed to provide legal, accounting, tax, investment or other professional advice. Such advice requires consideration of individual circumstances. Before any action is taken based upon this information, it is essential that competent, individual, professional advice be obtained. JAS Financial Services, LLC is not responsible for any modifications made to this material, or for the accuracy of information provided by other sources.