

Deficit Reduction Act of 2005

(Signed into law on February 8, 2006 -P.L. 109-171.)



In an effort to reduce the rising federal deficit, Congress passed the Deficit Reduction Act into law on February 8, 2006. Lawmakers hope that cutting government subsidies to lenders as well as other reforms, will reduce the overall cost of administering the federal student loan program.



New Interest Rate!!
On loans disbursed on or after
July 1, 2006

Federal Stafford Loan

Fixed 6.8%

Federal PLUS Loan

Fixed 8.5%

Loans disbursed prior to July 1, 2006

- **Interest Remains Variable** (*Current interest rate is 4.7% in-school, grace and deferment) and 5.3 during repayment-on loans disbursed on or after July 1, 1998*)
- **Interest Rate Predicted to increase** on Stafford Loans to more than 7.3% effective July 1, 2006 (based on current T-bill rates).
- **New Interest Rate will be published on June 1, 2006.**

Graduate/Professional PLUS Loan

- Effective for loans certified in the FFEL program on or after July 1, 2006.
- Fixed Interest rate of 8.5%
- Applicants are required to complete the FAFSA
- Applicants must apply for their annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan Program before applying for a Graduate/Professional PLUS Loan.
- Aggregate limits exclude consideration of PLUS loans
(This type of loan cannot be processed by Emory's Financial Aid office at this time.)

Can I Consolidate while I am still Enrolled in School?

YES!!

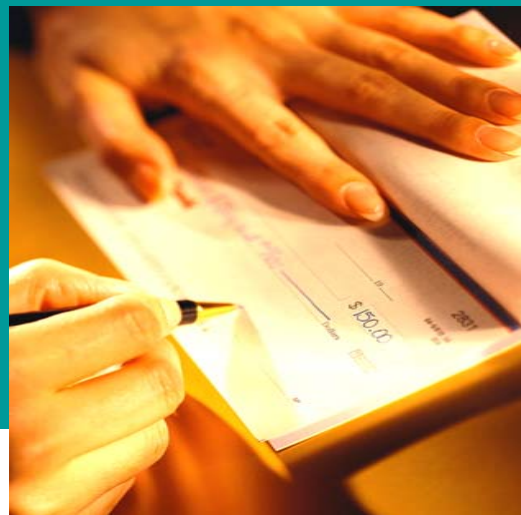
However, effective July 1, 2006, In-School Consolidation is eliminated!!

- First, your current loans will be put in an automatic repayment as part of the consolidation.
 - A. *You will complete a request for early repayment and a consent form acknowledging that your grace period will be waived.*
- Then your loans are deferred for the remainder of the time you are enrolled (*at least half-time*) in school.
 - A. *You may be required to submit an in-school deferment form.*



Early Repayment Option is Eliminated

Repayment to begin the day after 6 months after the date the student is considered less than half-time.



What loans are eligible for Federal Consolidation?

- *Federal Stafford Loans (subsidized and unsubsidized)*
- *Federal Direct Stafford Loans*
- *Federal Consolidation Loan*
- *Federal PLUS Loans*
- *Federal Direct PLUS Loans*
- *Federal Direct Consolidation Loans*
- *SLS Loans (Supplemental Loans for Students),*
- *Federal Perkins Loans,*
- *Federal Nursing Student Loans,*
- *Health Education Assistance Loans (HEAL Loans Note: Heal loans included in a consolidation loan are subject to special interest rate terms),*
- *Health Professions Student Loans (HPSL Loans),*
- *Loans for Disadvantaged Students (LDS Loans)*

- **NOTE: Private student loans CANNOT be consolidated with the federal consolidation loan.**

- **(It may be to your benefit to exclude higher interest rate loans or loans that can be forgiven through service)**

- **Effective July 1, 2006 Spousal Consolidation is eliminated!!**

How Long Do I have to Repay?

<u>Outstanding Student</u>	<u>Maximum Repayment</u>
<u>Loan Debt</u>	<u>Term</u>
• \$7,500- \$9,999.99	12 Years
• \$10,000-\$19,999.99	15 Years
• \$20,000-\$39,999.99	20 Years
• \$40,000-\$59,999.00	25 Years
• \$60,000 or more	30 Years

(There are no prepayment penalties or fees)

Parent PLUS Loans



- A Parent's PLUS cannot be consolidated with their son's/daughter's federal loans.
- A parent may consolidate their PLUS with their own federal student loans.
- Current PLUS interest rate is 6.1%. New interest rate after July 1, 2006 will be fixed at 8.5%.

Consolidated Loan vs. un-Consolidated Standard Loan repayment

Payment Example based on \$60,000 debt

Consolidated

(30 years)/based on 4.7% interest

Monthly payment=\$311.18 (approx.)

Interest paid=\$52,024.80

Standard

(10 years) based on 7.3% interest

Monthly payment= \$705.96 (approx.)

Interest Paid=\$24,715.20

Disadvantages to Student Loan Consolidation

- Grace period is forfeited/waived.

(Some lenders may offer an extension on your grace period. Please contact your lender to discuss further).

- With longer repayment term, comes the likelihood of higher overall interests costs.
- Some campus-administered programs, including Perkins, can lose forgiveness or interest subsidy benefits.

Gather all of your Federal Student Loans

National Student Loan Data Base System
www.nslds.ed.gov

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