

FOR IMMEDIATE RELEASE:

Tuesday, July 7, 2009.

CONTACT:

Carolynn Bright
Media Relations Coordinator
(406) 495-7506

July 1 Marked a Great Day for Students

(HELENA) As part of Congress' ongoing effort to make higher education more accessible and affordable, interest rates and other student loan terms became more favorable for Montana students on July 1. In addition, the new Income-Based Repayment (IBR) program was introduced and Pell grant awards were increased.

"July 1, 2009 was a favorable day for students who use federal student loans to help address the costs of pursuing postsecondary education," said Jim Stipcich, president/chief executive officer of nonprofit Student Assistance Foundation (SAF). "Federal student loan rates and costs — set by the federal government — on certain federal student loans dropped and new repayment programs were introduced. These changes are of considerable advantage for Montana students as they look toward repaying their student loans."

Rates Go Down on New Subsidized Stafford Loans

- Monthly payments for people paying back federal subsidized student loans received in Academic Year 2009-10 will be less when these borrowers start repayment of their loans as interest rates dropped from 6 percent to 5.6 percent.
- Origination fees charged on new loans fell by half a percentage point to 1.5 percent of the amount borrowed.

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

- All unconsolidated Stafford loans originated before July 1, 2006 have variable interest rates that reset annually. This year, that rate went down from 4.21 percent to 2.48 percent. These borrowers have the opportunity to lock in this rate for the life of their loan by consolidating these student loans.
- For 2009 graduates the opportunities get even better. Students who consolidate during their six-month grace period can lock in a 1.88 percent rate on variable rate federal loans.

"At Student Assistance Foundation, we advise our borrowers to thoroughly weigh all of their options before taking any type of action regarding their student loans, and consolidation through the Federal Direct Loan Program is no exception," said Stipcich. "Lenders and servicers in the Federal Family Education Loan Program (FFELP) — especially nonprofits — are dedicated to providing superior customer service through one-on-one counseling to their borrowers. Anyone considering a movement to a different type of student loan servicer should take that level of commitment to customers into consideration."

Income-Based Repayment (IBR) Becomes Available

- Borrowers became eligible to have their monthly payments based on their income, family size and loan amount. Any debt and interest remaining after 25 years of payments will be forgiven.
- For borrowers working in government, nonprofit or other public service jobs, their federal student loans could be forgiven in as few as 10 years of participation in IBR or other qualifying payments.
- This option is not available for Parent PLUS loans, consolidation loans that include Parent PLUS loans, or private student loans.

“While the income-based repayment plan may be extremely helpful for some borrowers, those who are experiencing a temporary financial hardship due to unemployment or some other issue have other options available to them,” Stipcich said. “In many cases, requesting deferments or forbearances to stop payments on their student loans for a period of time provides the necessary relief to allow borrowers to get their finances back on track.”

This new program does not replace standard, graduated, income-sensitive or extended repayment plans, but instead, provides an additional option that may better suit the unique financial situation of some borrowers.

Pell Grant Maximum Award Raised to \$5,350

- For the 2009-10 award year, the maximum Pell Grant increased by 13 percent to \$5,350.
- Pell Grants are need-based grants from the federal government and are distributed mostly to students with family incomes below \$50,000.

For more information about these changes affecting student loans and other financial aid, contact SAF at (800) 852-2761 ext. 9750.

Student Assistance Foundation is a 501(c)(3) nonprofit Montana corporation that provides students with knowledge and tools to finance and pursue their postsecondary education. Funds generated by SAF are returned to Montanans in the form of education grants and public benefit programs - to date more than \$16.4 million. For more information, visit www.safmt.org.