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SAF Advises Students to Investigate Consolidation Loan Offers Carefully

(HELENA) Before various lawsuits and complaints regarding deceptive student loan advertising came to light earlier this year, Student Assistance Foundation (SAF) took a proactive approach to helping students head off confusing advertising practices used by some student loan companies.

In February, the Montana nonprofit company launched a Web site (www.stopthedeception.org) dedicated to educating students and their parents about tactics employed by some companies to attract loan consolidation business.

In order to direct students' attention to the informative site, SAF mailed postcards highlighting the site to recipients across the country, with about 25,000 of those going to students in Montana.

Jamie Lee, loan sales supervisor for SAF, cautions students to examine student loan consolidation offers closely and to get help if they have any questions.

"It's particularly important for graduates to read the fine print to make sure they fully understand the terms of the loan and to make sure the company they choose has the customers' best interests in mind," said Lee.

According to Lee, students looking to consolidate should be aware of a number of tactics employed by companies to grab customers' attention. Those include: unrealistically low rates, amazing benefits and gifts of cash or other goods.

Lee advises that low rates often apply to a very select few applicants and are difficult to obtain, the benefits can be extremely easy to lose, and gifts of cash or goods don't guarantee good service in the long run and may be too good to be true.

Marti Pearce, associate director of financial aid at Carroll College in Helena, said recently that students at her school had been receiving a wide variety of student loan information — some of it questionable in her assessment.

"We urge students not to fall for gimmicks and to research the company before consolidating," she said.

Lee encourages students to ask questions of their prospective lenders. A reputable lender will take the time to talk with students about their unique situations to determine whether consolidation is the best option for them.

“A loan education counselor should be willing to speak honestly with students and their parents about all of their options, and advise them on what’s best in their unique situation,” said Lee. “Sometimes that means sending them in a different direction, maybe even advising them to accept an offer from a different company. And that’s ok if the student benefits.”

For most graduating students, consolidation provides the convenience of one lender, one loan and one, monthly payment. In addition, students may qualify for lower monthly payments, extended repayment terms and principal or interest rate reductions.

On the other hand, loans can be consolidated only once. Students who have already consolidated and have no other outstanding student loan debt don’t qualify for new consolidation loans. Also, students should consider the fact that extended repayment terms take longer to pay off, and as a result, may cost more in interest.

According to Lee, the Stop the Deception Web site was recently updated with new information about confusing lending practices, in addition to an “In The News” section dedicated to keeping students informed through national news stories about the student loan industry.

For more information about questionable tactics used by some student loan companies, visit www.stophedeception.org or call SAF toll free at (800) 504-7324.

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 \$7.1 million. For more information, visit www.safmt.org.