



## Making College Loans More Affordable

America was founded on an ideal that no matter who you are – if you're willing to work hard and play by the rules– you can be a success.

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That is the American Dream, and for many Iowans, it includes a college education. Yet the high price of college is putting that dream out of reach for many Iowa families. During the past two decades, tuition at four year colleges and universities has more than doubled, but family income rose by just 27 percent.

While many Iowans received federal student aid, over 80 percent of assistance comes in the form of loans. Sixty-four percent of all students currently borrow to finance their college education and over the past eight years, the average student loan debt has doubled to \$16,928.

Raye Taylor, a student at my alma mater, Iowa State, is one Iowan coping with the high cost of college. Raye comes from a background much like my own. She and her parents work hard, but like a lot of Iowans, they simply cannot afford the cost of higher education.

Raye hasn't let that stand in her way. She works three jobs while going to school full-time. Yet even with all that hard work she's already accumulated \$20,000 of student loan debt.

Students like Raye Taylor will walk away from school with a diploma in one hand and massive student loan debt in the other. That is why, as chairman of the Senate committee that funds college financial aid, I've pushed to increase our investment in Pell Grants and Work Study which help make college more affordable. But there is also a new opportunity for relief from college loan debt.

Beginning July 1, 2002, student borrowers can consolidate their federal loans at the low interest rate of four percent. This opportunity is available to students who have not previously consolidated their loans.

Consolidation involves the refinancing of all of a graduate's federal loans into one single loan with one lender. Instead of making separate payments with higher interest rates that can change, a consolidated loan will allow graduates to make a single monthly payment at an interest rate that will not change. This means lower monthly payments and less confusion.

Every student is eligible to consolidate into the federal Direct Loan program. In fact, students who consolidate into the U.S. Department of Education Direct Loan program can reduce their interest rates by an additional quarter point if they opt to make electronic payments.

Additionally, students who complete an application within six months of graduation are entitled to an additional 0.6 percent interest rate reduction – bringing the interest rate down to 3.4 percent.

The loan consolidation application is free, and there is no penalty to pay off the loan early. For more information, graduates can ask their lender or call the U.S. Department of Education at 1-800-557-7392, or TDD 1-800-557-7395 to get specific information about savings. You can also visit the Department of Education's consolidation Web site at <http://loanconsolidation.ed.gov>.

I urge every recent graduate or their parents to take a few minutes to explore the benefits of consolidation. Student loan consolidation will save you time and money – two things new graduates can never have enough of.