Repaying loans just got easier for grads

To ensure real dollar savings under consolidation, students can keep the shorter 10-year loan-repayment schedule.

Students who are seniors this fall also can lock into the low rates by consolidating next spring, after they graduate, but before July 1, 2003.

For parents looking to cover college costs, the news is just as bright, at least in the short term. Federal PLUS loans established after July 1 will carry an unusually low interest rate of 4.86 percent, compared with 6.79 currently. PLUS loan interest rates are variable from year to year, however, and the rate could rise over time.

Greg Mitton, director of financial aid at Muhlenberg College in Allentown, said half of the school’s graduating seniors participated in the Stafford loan program and graduated with an average debt of $18,000.

To lock in the lower interest rates on their debt, students can consolidate their Stafford loans under one new loan after July 1 at a consolidation rate of 4.125 percent.

In most cases, consolidation loans extend the repayment schedule beyond the typical 10 years for a Stafford loan, to as many as 20 years. That would limit the savings that might accrue from locking in the lower interest rate, but would reduce the monthly payments a student must make, improving the student’s immediate cash flow.