

# New Student Loan Rates and Strategies for 2003-04

Transcript of CLTV Interview with Joseph Orsolini, President of College Aid Planners

**Greg Prather, Host**  
**Broadcast June 20, 2003**  
**Edited for clarity**

**Mr. Prather:** A lot of people who have student loans are trying to decide whether to refinance or consolidate their loans, to take advantage of the record-low interest rates. What are the pros and cons of refinancing? We're talking with Joe Orsolini, president of College Aid Planners.

**Mr. Orsolini:** Yes, there has never been a better time to borrow money for college or consolidate student loans. The new student loan interest rates took effect July 1<sup>st</sup>. The rate for students in the deferral phase of their student loan is 2.82 percent. For those in the payback phase, the rate is 3.42 percent. Those are the lowest rates in history for Stafford loans, which is the main source of college loan funds.

**Mr. Prather:** We're not saying that there has been a rate reduction for every kind of loan that is out there, for example, loans that parents may take out.

**Mr. Orsolini:** Actually, the Parent Loan for Undergraduate Students [PLUS] also had a rate reduction, down to 4.22 percent. The Perkins loan, which is awarded to student with exceptional financial need, has a fixed rate of 5 percent, so it won't change. But all the Stafford-based programs will change every year.

**Mr. Prather:** Now, since we have such low rates, consolidation may be good for some of people who have these outstanding loans?

**Mr. Orsolini:** Yes, consolidation can be a big advantage for some folks. Consolidation lets you accomplish two things: first you can lock in a fixed interest rate, and second you can extend the term of your loan, so you can take longer to pay back that loan – up to 30 years.

**Mr. Prather:** So what kinds of questions should you ask yourself before taking this step?

**Mr. Orsolini:** Well, I think the big question is how long do you want to be paying your student loans back. A lot of people fall into the trap of wanting the lower monthly payment by stretching out the term of the loan; and then over the long haul, they end up paying more in interest, even at the lower rate. If you consolidate your loans for a 10-year period or shorter, instead of 20 or 30 years, at a lower interest rate, you can potentially save thousands of dollars.

**Mr. Prather:** And the balance that they owe on the loan, should they take that into consideration as well?

**Mr. Orsolini:** Yes, if you have only a small amount left to pay back, it wouldn't make sense to consolidate. Also, if you've been paying off the loan on schedule for a number of years, some lenders will lower your interest rate by one or two percentage points.

Once you consolidate your loans, the interest rate is fixed, and you lock in this year's low rates. You are no longer floating each year along with the Stafford rates.

**Mr. Prather:** So if the Stafford rates fall again next year, and you consolidate this year, then you're stuck with this year's rate?

**Mr. Orsolini:** Yes, but you can actually wait until May 2004 to decide whether to consolidate. At that point, you'll know what next year's rate will be, but you can still consolidate at this year's rate if you want to.

**Mr. Prather:** It may sound a little complicated, but it's worth investigating.

**Mr. Orsolini:** It certainly is.

**Mr. Prather:** All right. Joe Orsolini is president of College Aid Planners. Thank you for joining us.

**Mr. Orsolini:** Thank you.

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*For more information, visit the College Aid Planners website ([www.notpayingforcollege.com](http://www.notpayingforcollege.com)), or call Joe Orsolini at 630-469-6776.*