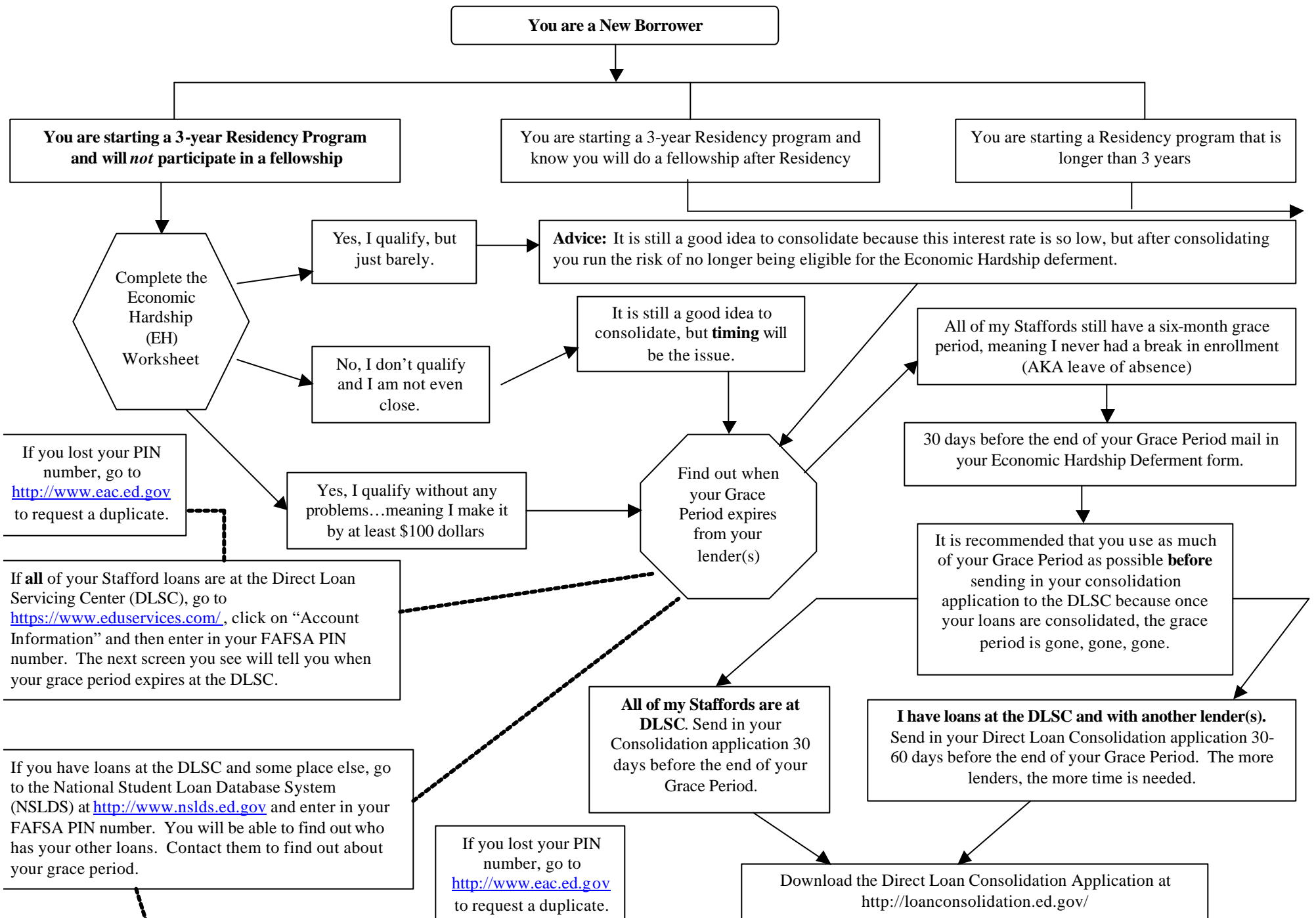


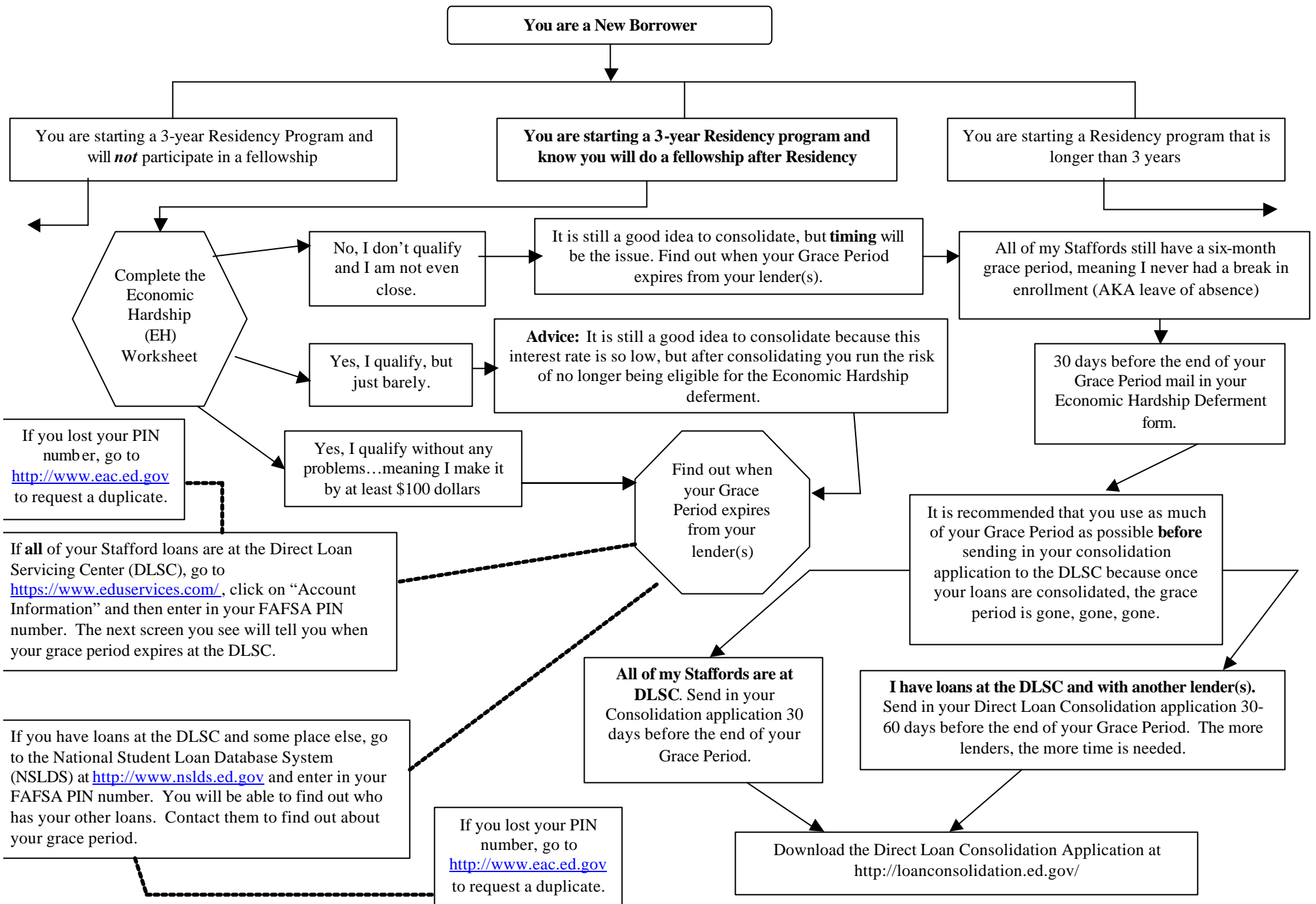
Let's Break It Down for New Borrowers

New Borrowers = first Stafford (Subsidized or Unsubsidized) loan borrowed on or after July 1, 1993



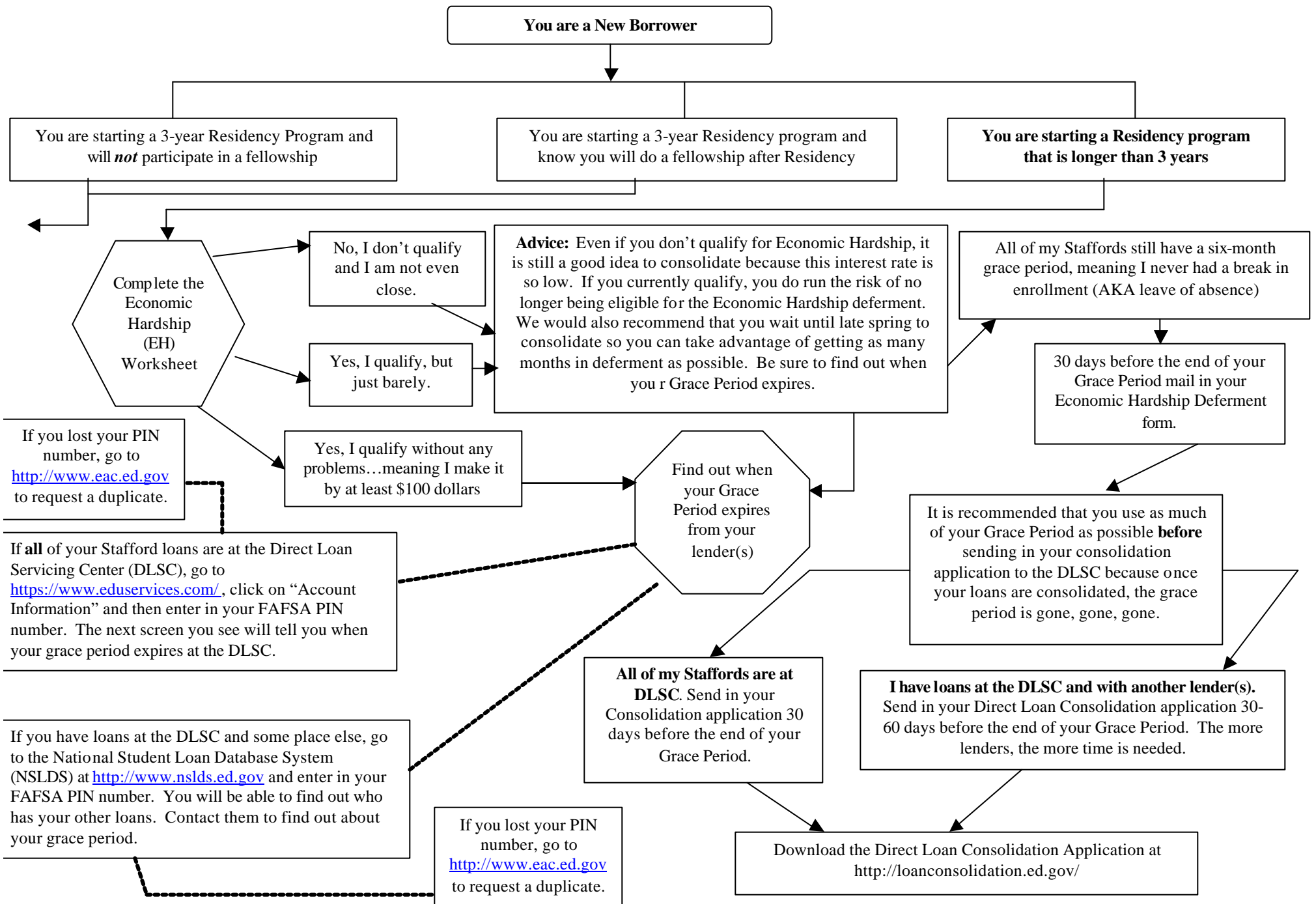
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Points to Consider:

- 1. The Maximum Length of the Economic Hardship Deferment.** Technically, the maximum length of the Economic Hardship Deferment is three years. However, if a borrower begins to utilize Economic Hardship and then after utilizing it (say for a year) consolidates all Stafford loans, that borrower then has a fresh new three years of Economic Hardship...because the consolidated loan is a *new* loan ***without any history*** carrying over to that new loan. We in the industry call these types of borrowers “wicked borrowers.” So, if you just graduated and are in a residency program that last longer than three years (or you are doing three years + fellowship), then you are taking a chance by consolidating of not qualifying for an additional three-years of economic hardship. There is no answer here, it is a crap shot. But be aware that this rate has never been lower. If, on the other hand, you graduated three years ago and are currently using your third year of Economic Hardship and you are either going to do a fellowship or have a 5-6 year residency program, if you consolidate then you should get another three years of Economic Hardship.
- 2. Qualifying for Economic Hardship.** If you just barely qualified for Economic Hardship prior to the rate change announced July 1, 2001, then keep in mind that because the interest rate has decreased, you will have greater difficulty qualifying for Economic Hardship in the future. If you consolidate you will lock in a rate that may prevent you from being able to ever qualify again for the Economic Hardship deferment. Also remember that the federal poverty level of a family of two that is used in the federally mandated formula tends to change every two years. It just changed in April 2001, so it will likely change again in April 2003.
- 3. If Rates Go Even Lower Can I Re-Finance a Consolidated Loan?** In a word, NO. Unlike mortgages, the Federal Loan Consolidation (for non-Direct loans) and the Direct Loan Consolidation program do not permit borrowers to refinance. Also, keep in mind that the interest rate on the Stafford loan program is only determined once a year at an auction on the last Tuesday in May. So, the recent rate cuts announced by the Federal Reserve have no impact on the interest rates announced on July 1, 2001. The rates announced July 1, 2001 will remain unchanged until June 30, 2002.