



## NEWS RELEASE

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### **Students can save on college loans despite sharp interest-rate hike**

**BATON ROUGE**— While the recent interest-rate hike on federally backed education loans is not good news, students and parents who do their homework and shop around can save considerable amounts of money on their loans. The Louisiana Education Loan Authority (Lela) says students can reduce the new 6.8 percent rate on Stafford student loans by almost half.

Congress recently changed the method used to set interest rates for federally backed education loans. The congressional change coupled with the overall rise in interest rates for all types of loans resulted in a sharp increase in the rate that borrowers pay on most student loans. The interest rate for new Stafford loans made after July 1 is now fixed at 6.8 percent—considerably higher than last year's rate of 5.3 percent. Previously, interest rates on student loans floated from year to year but were capped at 8.25 percent.

Stafford loans are made to students and are the most common type of federal education loan. Parent Loans for Undergraduate Students (PLUS) are taken out by parents, oftentimes when the Stafford loans made to their children are not enough to cover college expenses. The new fixed rate for new PLUS loans is 8.5 percent.

“Students and parents need to know that they can save money in interest charges, rebates and fees by shopping around for student loans,” said Tricia Dubroc, vice president for student loans at Lela. “There are many lenders and some offer considerable discounts to student and parent borrowers. For example, overall, a Lela Stafford loan borrower can save over \$2,000 on a \$10,000 loan balance when all savings are obtained.”

Lela—the student loan division of the Louisiana Public Facilities Authority—is one of Louisiana’s largest providers of student loans. As a nonprofit organization, Lela acquires money for student loans through tax-exempt bond sales allocated by the Governor’s Office and approved by the Louisiana State Bond Commission.

Students who receive Stafford loans from Lela and take advantage of all incentives offered to them can save over 55 percent in interest, rebates and fees throughout repayment of their loans. Students who make their first 36 monthly loan payments on a timely basis and sign up for auto-debit will see their interest rate knocked down to 3.55 percent. Lela also pays on behalf of student borrowers the federally assessed 2 percent origination fee as well as the 1 percent Federal Default Fee. Additionally, students who graduate and stay to work in Louisiana are eligible to apply for up to a 6 percent rebate on their loan amounts through Lela’s Graduates Choose Louisiana Reward program.

“The increased federal loan rates should not deter any Louisiana student from attending college and earning a degree,” Dubroc said. “Our goal at Lela is to provide a range of incentives that help Louisiana students and parents cut the cost of their education loans.”

While Stafford loans are the most common type of student loan, Lela offers considerable savings on other types of education loans. For example, Lela can save parents over 41 percent on PLUS loans, and graduate students can save over 43 percent on their GRAD PLUS loans. Students who obtain a Stafford loan through Lela, graduate and teach in a public school grades K-12 in Louisiana can apply to receive a zero interest waiver on their Stafford loans through Lela’s HELP Teachers program.

For more information about student loans, students and parents should call the Louisiana Education Loan Authority toll-free at 1-800-228-4755 or visit Lela’s Web site at <http://www.lela.org>.

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