



The Alumni Newsletter from the Financial Aid Office

Georgetown University Law Center

The “When to Consolidate Dilemma?”

Graduates who have not yet consolidated their loans should hold off on doing so until the spring of 2002. There is no current **financial incentive** to consolidate, because the September 30th deadline for the .8% interest rate deduction offered by the Department of Education has passed, and you are no longer able to receive the lower rate that is charged during the grace period. Interest rates have fallen to the lowest rate since 1961, and may go even lower before the new interest rate takes effect on July 1, 2002. As this rate is based on the last auction of the 91-Day T-Bill during the month of May, you should contact our office for information about consolidation during the first week of June 2002. At that time, we will be able to tell you whether you will lock in a lower consolidation rate by submitting your consolidation application prior to, or after, July 1st. To illustrate this, the 91-Day T-Bill rate was 3.69% at the end of May 2001. Today, the rate is 1.92%, a reduction of 1.77%. As all rates are subject to change, we are unable to predict the future with certainty. However, we suggest holding onto your consolidation application until the new rates are set in June 2002 for the upcoming year.

To discuss alternative payment options prior to your consolidation, please call the LRAP hotline.

Do I Qualify for Perkins Loan Cancellation?

LRAP participants who received Perkins loans, and whose employment qualifies, may be eligible for cancellation of a portion of their annual loan payments. If you are a full-time employee of an eligible public or private non-profit child or family service agency, and are providing or supervising the provision of services to high-risk children who are from low-income communities, you may qualify for Perkins loan cancellation. Although the parents of these students may receive collateral benefits from the services provided, high-risk children must be the primary recipients of such services.

To read about the cancellation terms you can visit www4.afsa.com/bac/CBSL/Cancellations.html and click on Teaching/Employment Cancellations. You can also download a cancellation application directly from the web site. Please allow a minimum of six weeks for the processing of your request and continue to make payments until you are notified in writing of the cancellation. To avoid having to return benefits that you have already received, please apply for the Perkins cancellation in sufficient time to submit your renewal LRAP application. If cancellation occurs mid-disbursement period, your LRAP benefit will be adjusted to reflect any reduction in your loan payments and you may be responsible to repay the portion for which you are no longer eligible.

Managing Your LRAP Money

Money management is a learned skill, and one goal of the LRAP program is to help you to improve your abilities in this area. Some financially savvy LRAP participants have provided their tips for handling the benefits that they receive. Sharing their experiences could be worthwhile in helping you maximize your receipt of the award. If you have your own tips or strategies that you have proven successful for you, please feel free to share them with us! One recipe for potential financial trouble is to take the LRAP benefit check and dump it into your regular checking account. Remember, LRAP disbursements are intended to assist you with loan payments for six months (January through June and July through December). Depositing the LRAP check into an account that you use for day-to-day living expenses can create a false sense of financial well being and you could risk believing that you have more discretionary income than you really do. As you know, when you re-apply for LRAP benefits, additional eligibility is jeopardized when your loan accounts show that you are not current on the payments. One suggestion would be to open a separate account in which you keep only your LRAP disbursement and any personal funds that you are dedicating to your loan repayment.

Paying Early Pays Off!

Did you know that the sooner you pay a loan payment, the larger the amount that is applied to the principal? Don't wait to mail payments so that they arrive exactly on the due date. A payment made just a week earlier than it is actually due can make a substantial difference by reducing the total amount of interest you will pay over time. This works because the amount of interest accumulated, as shown on your billing statement, includes a daily interest charge. If you make that payment sooner, less interest is due. The concept of reducing interest by paying the same amount, but earlier than the due date, applies to other installment accounts on which interest accrues as well.

Prepay Your Loans With Your LRAP Check

Some graduates have also cut out the hassle of writing checks to lenders by "pre-paying" for the entire disbursement period. Depending upon your salary and the LRAP benefits you receive, it may not be feasible to use this technique with all of your loans (see below). Here's how it works: After depositing the funds into your account, write a lump sum check for the six months of payments and send it to the lender, using your entire LRAP award. This option also helps to save you money on the total amount of interest that will be paid because more of the payment is applied to the principal balance.

If you are responsible for a portion of the payment and cannot afford to pay your portion in at one time, or if you have multiple lenders, you might follow the above plan with one or more of your loans that carries a higher interest rate. You would then be responsible to make the rest of your required loan payments from your own resources during that period. We suggest repaying your commercial loans first because of the generally higher (and uncapped) interest rates that they carry. Even though, for some of you, your present interest rates for commercial loans (which change quarterly) are actually lower than current Stafford loan rates, it is extremely unlikely that this will hold true for the life of the loan. Therefore, a prepayment of principal on your commercial loan now, even though it may cost you a bit more, will save you the most money in the future.

Check with your student loan servicer before deciding to use this strategy to make sure that they will apply the prepayment appropriately. Follow up after the payment is sent to verify that it was applied correctly, as meeting the required monthly payments for the next several months, rather than an extra payment towards the principal for that one month. If they follow the latter approach and do not spread the payments over several months, it may leave you scrambling to find the funds to meet required payments in the months that follow. Also,

be sure to do the math before sending any funds to the lender. Lenders cannot auto-credit or refund money back to you once they have received payment.

If your servicer uses coupons instead of monthly billing statements, include all of the payment coupons along with individual checks to ensure proper crediting. Some servicers will provide coupons instead of monthly billing statements if you request such from them.

See It To Believe It

Visit the following website for more information on how much you can save by making pre-payments:
<http://usagroup.com/repaying/calculators/repay.htm>

Instant Account Access Available

Still haven't obtained on-line account access to your student loan records? Do you find yourself wondering: what is my exact monthly payment? What is the current quarterly interest rate on my commercial loan? Use the Web to get these answers and more!

Many loan servicers offer real-time information on the Web, providing you with what you may need to know about your account. These statements will also be acceptable to submit as required loan documentation for upcoming application cycles. Check your billing statements for web addresses. Some of the most common loan servicers for Georgetown Law graduates include:

<i>Graduate Loan Center</i>	www.pheaa.org
<i>Sallie Mae:</i>	www.salliemae.com
<i>T.H.E. (Great Lakes) :</i>	www.glhec.org
<i>Federal Direct Loan:</i>	www.eduservices.com
<i>AFSA Data Corporation:</i>	www.afsa.org

Reporting Changes In Writing

Remember that by signing the Program Compliance Certification and Information Release, you are agreeing to notify the LRAP program in writing within thirty (30) days of any changes to your (or your spouse's if applicable) address, income, employment, or marital status. Also, please indicate the date on which the change will take or has taken effect. The LRAP coordinator should always have a way to contact you via phone, mail, and e-mail if available, to keep you informed of any program changes or updates. In addition, changes to your income, employment, or marital status, may be causes for recalculation of your LRAP benefits. Participants who follow these guidelines ensure a timely review of future applications and avoid unexpected loss of benefits.