



FOR IMMEDIATE RELEASE

Report: Many Families Taking a Risk When Paying for College
Variable-Rate Loans a Risk in Rising Interest Rate Environment

WEST DES MOINES, IOWA (*June 12, 2018*) — As another school year approaches, families of college-bound students may find themselves holding a bill for remaining costs after financial aid and scholarships are applied. Turning to variable-rate private student loans is a risky move that one report says a majority of families are taking.

“Given the current financial environment, with rising interest rates, families who choose a variable-rate loan to pay for college take a risk with rates based on benchmark indexes that change over time,” said Steve McCullough, president and CEO of Iowa Student Loan. “A fixed interest rate is locked in for the entire life of the loan and is a less risky option when rates are rising.”

According to the report published by LendEDU, “The State of Private Student Loans,” which collected data on 80,000 private student loan applicants since 2016, 94 percent of private student loan applicants chose a variable interest rate. The average variable rate amongst those who borrowed was 7.81 percent.

State-based nonprofit lenders across the country offer families an alternative. Iowans in need of a private student loan have lower cost, lower risk options offered by the state-based nonprofit, Iowa Student Loan.

“Iowa Student Loan offers applicants with a credit score of 739, the average listed for those included in the report, a fixed interest rate of 6.52 percent for loans where repayment is deferred during college,” said McCullough. “That’s a set rate that is much lower than the variable rates many families appear to be choosing.”

Additional Resources Available

Iowa Student Loan offers a competitive private student loan option for student borrowers, often with creditworthy cosigners, called the Partnership Advance Education Loan.

Parents borrowing on behalf of their student to help cover college costs can apply for the College Family Loan, offered by Iowa Student Loan, which includes fixed interest rates that are lower than the Federal PLUS Loan for parents.

These private student loan options and Iowa Student Loan's free online tools and resources to help families plan and pay for college can be found at www.iowaStudentLoan.org.

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About Iowa Student Loan

Established in 1979 as a private, nonprofit organization, Iowa Student Loan helps Iowa students and families obtain the resources necessary to succeed in postsecondary education. Iowa Student Loan has helped more than 392,500 students pay for college. The organization, based in West Des Moines, Iowa, also provides an array of borrower benefits, financial literacy tools and community reinvestment programs, including support for free college planning services for students and their families. For more information about Iowa Student Loan, visit www.iowaStudentLoan.org.

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