



Do you have questions about Federal Student Loan Consolidation?

It is quite easy to be confused by student loans. It is difficult to understand interest rates, grace periods, fees, deferment and forbearance, capitalized interest, etc., especially by someone new to lending, such as freshmen. Many students simply sign promissory notes without being fully aware of the terms and conditions associated with borrowing the loan. This lack of knowledge, information, education, and resources is compounded when repayment begins. Repayment can be a frightening time for graduates who are used to making no payments for four years. However, there is help. Federal student loan consolidation is a free government program designed to assist student loan borrowers with the repayment of their loans. Yes, many graduates are still not 100% sure if consolidation is the way to go. In order to determine whether you should consolidate or not, ask yourself the questions below.

Are you having difficulty managing your monthly payments?

If you are currently repaying your student loans, then your student loan payments are due each month along with your other monthly obligations. Do you find yourself just barely able to make ends meet? Or even if you are confident with your budget, do you want just a little extra cash on hand for shopping or saving? Consolidation can drastically reduce your monthly payments saving you money each month to pay off that high interest credit card. Also keep in mind the deferment and forbearance options that you have used. Deferment and forbearance options are not unlimited and if you have already exhausted these, then you might consider consolidating so that you may renew your option to postpone payments.

If you are about to enter repayment, then it's best to prepare a budget to see if you'll be able to afford your student loan payments. Keep in mind that the best time to consolidate is right before or as soon as you graduate. Your interest rate is 0.6% lower than what it will be when you enter repayment. This is known as the grace period rate. So you can lock in this rate if you consolidate when you graduate and lower your monthly payments.

Are you having difficulty keeping track of all your due dates, lenders, and monthly payments?

If you are paying multiple lenders, that means sending different checks for different amounts to different addresses each month. It's easy to get confused and miss a payment, which can adversely affect your credit. Why not have the convenience of one monthly payment to one lender? Consolidation will simplify your life.



Do you know what interest rates your student loans carry?

If you have not consolidated, your federal student loans are at variable interests and are at risk of rising. Consolidation locks in your current rate and protects it from interest rate increases.

Are you receiving any benefits from your current lenders?

When you consolidate, you can be eligible to receive borrower benefits that lower your interest rate and save you money. Find out from your current lender whether they offer such benefits. Also ask if they guarantee their borrower benefits. Most lenders will not. EdFed, a federally authorized lender under the Federal Family Education Loan Program (FFELP), however, offers great borrower benefits on student loan consolidations and guarantees them. Borrower benefits can potentially save borrowers several thousands of dollars and is one of the best reasons to consolidate.

If you are still unsure as to whether you or not you should consolidate, take a moment to read through the many benefits available to you.

Simplicity and Ease

When you consolidate your federal student loans, all your federal student loans will be combined into a single loan. This will give you a single lender to handle the servicing of your consolidation. You'll have just once source to contact to ask questions and send in your monthly payment. And you'll have a single payment that will cover all your student loans. Having one lender and one monthly payment makes it easy and convenient for borrowers to repay their federal student loans.

Repayment options that fit your needs

Another huge benefit of consolidating your loans is having many repayment plans to choose from. Some lenders, like EdFed, offer several to meet the various needs of student loan borrowers. EdFed offers seven repayment plans ranging from equal payments for the financially sound individuals to interest only plans for those who'd like to ease into repayment. Plus, you can switch between repayment plans in the event that your financial situation changes. What other loan program do you know of that gives borrowers such flexibility?

No fees or penalties

Simply put—there are no fees to consolidate your federal student loans! Plus, you can repay your loans early if you are so inclined as there is no prepayment penalty either.



Deferment and Forbearance Options

Borrowers may qualify for renewed deferment and forbearance options. If borrowers have exhausted their deferment and forbearance options, they may renew these options by consolidating. This is an excellent benefit as deferment and forbearance options serve as safety nets in the event a borrower's financial picture turns sour in the future. If ever needed, borrowers can post.

Reduced Monthly Payments

Because a federal student loan consolidation's repayment term is stretched over a long period of time, monthly payments may be reduced. However, there is no pre-payment penalty associated with a federal student loan consolidation, which means you'll have the convenience of lower monthly payments plus the option to pay your loan off early.

Borrower Benefits

As stated above, borrowers who consolidate their loans may be offered interest rate reductions in the form of borrower benefits. The types of benefits offered vary from lender to lender as do the eligibility requirements. Although borrower benefits are intended to reward borrowers for responsible repayment habits as well as help the borrower save money, they are also used to attract borrowers and may be unbeneficial to borrowers in the long run. It is advisable for borrower to thoroughly understand the terms of borrower benefits offered them and compare borrower benefits from various lenders.

Whatever your decision may be, be sure to have all the information available to ensure your choice is the best one for you.