

Loan Consolidation

One of the biggest financial decisions many college graduates face is whether they should consolidate their student loans or not. Consolidators promise lower interest rates, one easy payment, and financial flexibility. But, is it right for you?

By Daina Saib

So you just graduated and you have lots of stuff you want to buy. However, those pesky school loan payments are getting in the way. What to do? Consolidate, right? Not if your reason to consolidate is to have more spending money for that new car, wardrobe makeover, etc. But, if you're interested in making a smart budget decision that can save you hundreds, even thousands of dollars, then consolidation may be right for you.

Loan Consolidation – What Is It?

Simply put, it allows you to combine two or more of your education loans into one new loan.

Is It Right For You?

A lot depends on your specific situation. If you are following a budget and just can't seem to make ends meet, then it may be a good option for you. However, if you are on a budget and you have extra money at the end of the month, consolidation can be a way to get a better rate on your loan and make extra payments to pay your balance faster. Yet, if you are not following a budget and you have no money at the end of the month, get yourself on a budget first before considering consolidation.

Benefits

- One easy payment
- Possible fixed rate for the life of the loan
- Your interest rate may be reduced
- Possible lower monthly payment
- More repayment options to suit your specific financial situation
- Discounts like an interest rate reduction for having payments automatically debited and on-time payment discounts

Negatives

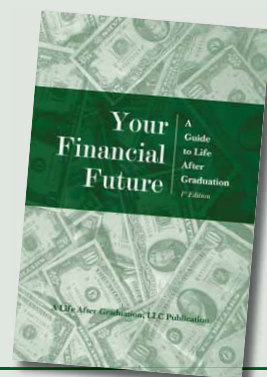
- Your payment may increase over time
- Possible higher interest rate
- Extending the years of repayment increases the interest you will pay
- In the case of deferment or forbearance, only the federal government (not private lenders) allows you to not make payments on consolidated loans without harming your credit score

When You Are Ready To Consolidate

- ▢ **COMPARISON SHOP** Scan the Internet and call various lenders to determine what options are available to you.
- ▢ **ASK OTHERS FOR THEIR OPINION** Your school's financial aid office deals with these issues regularly and can answer your questions. You can also consult an accountant or financial planner.
- ▢ **FIND A RELIABLE LENDER** Your school's financial aid office has a list of lenders and student loan companies. You can also find lenders online and ask other people you know who have consolidated loans.
- ▢ **ASK YOUR CURRENT LENDER TO MEET OTHER'S RATES, PROGRAMS, ETC.** You already have a relationship with your existing lender, so why go somewhere else? Use your research to your advantage – for example, if you find better terms somewhere else, use that as leverage to encourage your current lender to match the terms you found... or better yet, ask them to provide you better terms.
- ▢ **READ THE FINE PRINT** Ensure that the terms you were provided on the phone or found on the Internet are the same as what is stated on your loan papers. If you have any questions at all, ask!

Consolidation can help to ease the financial burden of your monthly student loan payments, but it's a big decision. Be careful, do your research and don't be afraid to ask questions to decide what's right for you.

For more information about achieving financial success after college, read *Your Financial Future: A Guide To Life After Graduation*.



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