



## How Consolidation Can Ease the Social Stigma of Debt

As a recent graduate, you may have found yourself in a situation where you are having trouble dealing with your education debt. You may be watching your friends going out, having fun on the weekends, while you are stuck at home trying to scrape together enough money to make your monthly payments. Federal loan consolidation can help ease your financial burden by lowering your monthly payments and helping you keep more cash in your pocket.

Federal loan consolidation saves you money in two major ways: by transforming your variable interest rate into a fixed interest rate and by extending your repayment term. Many people do not realize that their federal Stafford loans have a variable interest rate until they consolidate. The interest rate for student loans is adjusted each year on July 1. If interest rates go up, your monthly payments also increase, and the total amount you pay on your loan will be considerably more. Consolidating your loans now ensures you will receive a low fixed interest rate for the life of your loan. Your loans will not be affected by yearly interest rate adjustments.

The fixed interest rate for a consolidation loan is based on the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest one-eighth of a percentage point, not to exceed 8.25%. Current consolidation rates are as low as 6.625%, and can be reduced to as low as 5.375% with borrower benefits. A loan specialist can easily provide an estimate of what your consolidated interest rate will be.

The other main way that consolidation helps you keep more money in your pocket is by lowering your monthly payments through extending your payment term. Unconsolidated student loans typically have loan terms of 10 years. When you consolidate, this term is often extended to as long as 30 years, based on the total amount of student debt. By extending the repayment term, you will reduce the dollar amount your monthly payments. You will, of course, pay more in interest by using a longer time period to pay back your loans, but federal consolidation loans have no prepayment penalty. You may pay off your loans early at any time.

Federal loan consolidation lenders also offer a variety of flexible repayment plans. You may choose a graduated repayment plan, which allows you to pay interest only for the first few years and then increase your payments until you are paying principal and interest. Federal consolidations also have built-in benefits to help protect you during times of financial difficulty. You may have up to two years of forbearance on federal loans. During periods of forbearance, you will not need to make your monthly payments, although interest will continue to accrue.

Another great reason to consolidate is that there are no credit checks, no fees, and no income verifications. Federal consolidation loans are very easy to qualify for. The application process is simple and may be done online in many cases. You must, however, be in good standing on your federal loans at the time you consolidate, and not behind on your payments.



Federal loan consolidation may provide you with a way to hold onto more of your hard-earned cash. You have worked hard to get to where you are and deserve to have some fun without being saddled by debt. Consolidate now to begin saving money. You will have lower monthly payments, and you will save money for the life of your loan by securing a low fixed interest rate. Spend a few minutes now to complete your application, and save money for years to come.