Consolidating Debt

Attending law school will invariably create debt. Unless you have a wealthy relative willing to pay your way, you will most likely have to take out loans to pay for school and living expenses. Credit cards are a convenient, albeit risky, way to pay for food or books. In order to tackle debt upon graduation, it is best to consolidate your debt. Consolidation will lower your overall costs. When consolidating debt, keep two things in mind:

- Get the lowest interest rate possible. The lower the interest rate is, the less you'll have to pay overall and the faster you will get yourself out of debt.
- Have a plan to pay off your loans within a certain timeframe. A shorter term is preferable.

For recent graduates, the major areas of debt are student loans and credit cards. Here are some guidelines to help you consolidate these types of debt.

Federal Student Loan Consolidation
The first step any recent graduate should take is consolidating federal student loans. It's easy and fast and carries many benefits. There is no credit check required and no fees. Consolidating federal student loans will automatically give you a fixed interest rate for the life of the loan. You'll only have one lender to pay and one monthly payment. You will be given a longer repayment term, which will lower your monthly payments. And as there is no early repayment penalty, you can send in larger payments each month to pay the loan off that much faster. Or you can use the extra money you save to pay off other debt.

Credit Card Consolidation
Credit card companies usually offer balance transfer options with low interest rates. If you haven't already received tons of solicitations from your credit card companies with balance transfer offers, call them up and see what's available to you. If you have a credit card with a high credit limit, use it to pay off all your other credit cards. Then you'll only have one payment to make. Most balance transfers come with a low interest rate. While these low interest rates are limited, some lasting only a few months, they can help you save money on interest initially. During this time, it is advisable to send in large payments to get the balance down. If your credit is really good, some credit card companies will offer the low interest rate on balance transfers until you pay off the balance. These are rare but excellent offers. Take advantage of these offers. But don't get lulled with the long-term repayment offer. The point of consolidating credit card debt is to get it paid off as quickly as possible. One downside to this strategy of consolidating debt is the balance-transfer fees. Most balance-transfer fees are calculated based on a percentage of the total balance being transferred. But if you work with a representative, you may be able to talk him/her into waiving the fees altogether. The name of the game is negotiation. Credit card companies do not want to lose a profitable customer. Remember, credit card companies are competing for your business, and it is in their best interests to make you

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the best offer possible to persuade you to choose their company over another. Keep in mind there are traps with credit card consolidation. The most detrimental is making even one late payment. Most balance transfer options require you make on time payments to maintain the low interest rate. With a late payment, the low interest rate can go up to the card's regular APR, sometimes higher than 20%. So if you choose this method of consolidation, commit yourself to paying on time and on schedule.

Taking these initial steps will set you on the path to financial success.