



Federal Loan Consolidation: Too Good to be True?

When you hear about the benefits of federal consolidation, you may think that it is too good of a deal to be valid. Lower monthly payments, fixed interest rates, and additional benefits are offered—all without a credit check, income verification, or fees! It seems too good to be true, but this is one time when you can believe the hype.

The federal student loan consolidation program is intended to help students better manage their loans. Because getting an education is not cheap and millions of students rely on federal student loans to finance their education, federal loan consolidation provides somewhat of a break for students graduating with debt. Students who consolidate enjoy a fixed interest rate, lower monthly payments, and a longer loan term. Additionally, many lenders offer graduated repayment plans to help the students keep more of their hard-earned money in their pockets during the early years of their careers.

Another great benefit of federal consolidation loans is that they remain guaranteed by the government. Therefore, they are very attractive for private lenders making these loans. Because of this, lenders often offer responsible borrowers further reductions in interest rates to attract their business. These payment incentives, coupled with a fixed interest rate for the life of the loan, make federal consolidation loans exceedingly affordable compared to other types of consumer credit. You can generally borrow tens of thousands of dollars while still maintaining a manageable monthly payment. Also, if you run into a period of financial difficulty, federal consolidation loans generally qualify for periods of deferment or forbearance until your financial situation improves.

Federal student loan consolidation does not have a downside. As long as you choose your lender carefully (because usually, you can consolidate only once), you may save thousands of dollars in interest, have lower monthly payments, and have the added flexibility and advantages that only come with federal loans. Because the government may terminate this program in the future, this is one program you should take advantage of now. With federal loan consolidations, there really is no catch!