Consolidation

With the recent interest-rates increase for all federal student loans, law students and graduates need to know that there is a program that will let you reduce the new, higher rates by as much as 1.25 percent. The program, which gets quite a bit of press these days, is called student loan consolidation. It is very important for you to realize that there are two vastly different types of student loan consolidation programs: one for federal student loans and one for private student loans. An overview of each follows below.

The U.S. Congress and the Department of Education recently announced cuts in funding for federal student loan programs. Interest rates on federal student loans rose across the board, and the new rates ended up being around 2 percent higher than the rates for the 2005-2006 academic year. This is important news for student-loan borrowers. As you well know, law school is extremely expensive-just one year at a private law school in a major city can run $50,000. It is not surprising then that the average law student now graduates with almost $80,000 in student loans. This is already a huge debt burden for law students, and after the interest rate hikes, the burden on law students will be even greater.

Here is the good news:

Remember that as far as debt goes, student loan debt still is pretty good debt to have. The repayment terms are long, and it's relatively flexible debt in that your lender will often provide payment deferments or forbearances should you run into financial trouble down the line. Probably the most beneficial aspect of student debt, however, is the advantage of being able to get lower interest rates on federal student loans. It is thus particularly important to learn about loan consolidation right now, since this program is the only way to reduce high interest rates and save tens of thousands of dollars.