Consolidation Myths

Do you ever think that you cannot afford consolidation? Do you ever think that you cannot consolidate because your loans are in deferment? If you do, then you are the victim of some widespread myths about consolidation. This article reveals the main misconceptions that many people have regarding consolidation, and it sets the record straight.

Myth: I already have a low interest rate, so there is no reason to consolidate.

Fact: The federal government has recently announced that the interest rates on federal student loans will be rising significantly in the very near future. Although you may have a low interest rate now, the interest rate on your loans will soon rise permanently. For example, the interest rate on your Stafford loans will be rising all the way to 6.8 percent and will be fixed at that rate for the entire term of your loan. Consolidating your federal student loans is the only way to lock in the current low interest rates for the life of your loan. Current consolidation rates are 4.75 percent for borrowers in their grace period or in school and 5.375 percent for borrowers in repayment. Also, our payment incentives will help to reduce your rate by an additional 1.25 percent, for rates as low as 3.5 percent. You must consolidate now because the current low rates will be gone forever when the rate increases take effect in the near future.

Myth: I can't afford to consolidate.

Fact: With the interest rates on your federal student loans rising in the very near future, you must consolidate now to avoid the new higher fixed interest rates and save yourself from paying thousands of dollars in unnecessary interest payments. You will also have the opportunity to save thousands of dollars more through our payment incentives, reducing your fixed interest rate by an additional 1.25 percent. If you have never consolidated, completing a consolidation may reduce your monthly payments by up to 60 percent. Given that the upcoming significant rate increases will cost you thousands of dollars in unnecessary interest, you can't afford not to consolidate right now! Additionally, there are no fees or income verifications required for consolidating.

Myth: My credit is not good enough to be approved for a consolidation.

Fact: There are no credit checks required for federal loan consolidations. The only requirement is that you have at least $7,500 in eligible loans and not be in default with your current lenders.

Myth: I can't consolidate because I'm still in school.

Fact: For current students, it is essential to consolidate now before this benefit is permanently eliminated and interest rates rise. Consolidating before the upcoming changes will allow you to

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lock in your current low interest rate and save thousands of dollars over the life of your loan. It also ensures your monthly payments will be as low as possible.

In 2005, the federal government began allowing those who are still enrolled in school to complete federal student loan consolidations. The government did this to allow current students to take advantage of the very low interest rates being offered on federal consolidations.

The only disadvantage to consolidating while you are in school is that you will have to waive your grace period. Upon graduation, you will enter immediate repayment. However, federal consolidations qualify for up to two years of forbearance over the life of the consolidation. The majority of students who consolidate while they are attending school will apply for forbearance upon graduation. This will give them the chance to delay entering repayment until they are more financially stable. With student loan interest rates being raised significantly in the very near future, it is still highly advantageous for everyone with federal student loan debt to consolidate without delay, including borrowers who are still in school.

Myth: Consolidating will not benefit me because I plan to pay off my loans early.

Fact: Remember that interest rates will be rising significantly in the very near future! Even if you are planning to pay off your loan within a few years, why pay more interest during that time? By consolidating now and locking in the current low interest rates, you will receive thousands of dollars of savings; and if you choose to pay off your loans early, there are no prepayment penalties. If your plans change and you are not able to pay off your loan early, you will save thousands more by having locked in the current low interest rate rather than allowing your interest rate to jump significantly, which it will on July 1, 2006. Additionally, our payment incentives will help you pay off your loan more quickly. Through our incentives, more of your payment will be applied toward principal. This often reduces the loan term by several years. You will also gain from added savings from the 1.25-percent interest rate reductions offered through our payment incentives.

Myth: I do not have time to consolidate.

Fact: Completing a consolidation application with Law School Loans usually takes about five minutes and can be done entirely online, including your e-signature. Your loan specialist will do most of the work for you. You will not need to have your loan information, interest rates, or balances to complete an application. All you will need is some basic personal information and the names, addresses, and phone numbers of two references. Once you complete your e-signature, the consolidation process will begin immediately.

Myth: I cannot consolidate while my loans are in deferment.

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Fact: Even though your loans are currently in deferment, we can consolidate them. Once we complete the consolidation, you will be able to reapply for forbearance or deferment if your financial situation has not improved.

Myth: I should not consolidate because I currently have an income-contingent payment plan.

Fact: Law School Loans offers a variety of flexible repayment plans. In addition to our equal repayment plan (paying principal and interest throughout your loan term), we offer graduated repayment options. Our Select 2 repayment plan allows you to pay interest only for the first two years of your consolidation. After the first two years, you will begin paying level payments of principal and interest for the remainder of your loan term. With our Select 5 repayment plan, you will pay interest only for the first two years, then some principal and interest for the next three years, and then level payments of principal and interest for the remainder of your loan term. In addition, you may apply for an income-sensitive repayment plan to help you through times of hardship. With rates increasing very soon and tens of thousands of dollars at stake, finding the right repayment plan is no obstacle to loan consolidation.