

How to Consolidate Your Student Loans

Consolidating your student loans is a useful way to reduce your monthly payments. Consolidation means that one lender will group all of your various loans into a single, fixed-rate loan. This method offers the advantages of having only one bill to pay every month as well as the assurance that your interest rate won't change over time.

Should You Consolidate?

Loan consolidation is not the best plan for everyone. There are pros and cons that can differ with each individual situation. Before you consolidate, consider the following:

- When you consolidate, your interest rate will be fixed, which means it will be locked at a set rate for the course of your entire loan term. If interest rates go up during your term, you'll benefit, but if interest rates go down, you may be paying more than you have to.
- Make sure that your loans can be consolidated. Consolidation loans are available for most federal loans, including FFELP loans (which include Stafford, PLUS, and SLS loans), FISL, Perkins, Health Professional Student Loans, NSL, HEAL, Guaranteed Student Loans and Direct loans.
- Consolidation should reduce your overall monthly payment, but by extending your loan term, you may pay more overall, since more interest will accumulate. Calculate the consolidated rate and compare it to the sum of your individual rates using our [consolidation calculator](#).
- As an alternative, consider consolidating only some of your loans. Since your consolidated rate is the average of your current rates, it may be beneficial to leave out a loan that has a much higher rate than others.

Consolidating Federal Loans

- When you apply for a consolidated loan, a lender will calculate a weighted average of your current loan rates and then round up to the nearest one-eighth of a percentage (capped at a maximum of 8.25%).
- Your interest rate will depend on the type(s) of federal loans you have and when you took them out.
- You can lock into a lower rate by consolidating during the grace period you receive after graduating, but this will force you to begin monthly payments sooner.
- It is important to note that you cannot consolidate your loans while still in school.
- Consolidating federal loans into private loans isn't recommended, because you'll lose important privileges you receive under government programs.
- Under no circumstances should you pay a fee to consolidate your federal loans.
- Consolidate your federal loan at <http://loanconsolidation.ed.gov/index.shtml>.

Consolidating Private Loans

- Try consolidating with your original lender. See what rates they offer.
- If your lender's consolidation rate seems high, try comparison-shopping to find the best offer.
- Be sure to research all of the associated fees before deciding to consolidate with a particular lender.