

# Student Loans: Consolidating and Refinancing Options



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Finishing your college education and embarking on the start of your professional career is a very exciting time. Whether you're a young adult or a mature student who's changed career paths, if you borrowed money for school you'll be joining [more than half of college graduates](#) who find themselves in debt after graduation.



Nearly \$1.6 trillion is owed by some 43 million people, and the [average amount owed](#) is \$28,950. While the majority of these borrowers are under the age of 30, the largest average balance comes from the 62 and older group.

But now you've got your degree and there's no turning back, so now what? If you're unsure about refinancing or student loan consolidation, here's some background information to help get you started.

## Things to think about

First, find out if your loans are from the federal government or a private lender, as each has its own pros and cons for both consolidation and refinancing. Other things to consider are whether your loans have a grace period before payback is required or if you're eligible for deferment based on your current employment status.

You should also take into account what a realistic monthly payment looks like for your loans. If you're only capable of paying the minimum required, the interest will add up more quickly and inflate the total amount you'll end up owing.

Filing for bankruptcy may seem like an option but is unlikely to negate your student loan debt. So, is your only option to simply make the monthly payments and hope that nothing drastic happens that changes your ability to pay? Nope. It turns out there are a few ways to alter your payment options. Below is an introduction to two common ones.

## Refinancing vs. Consolidation: What's the difference?

Refinancing is the merging of multiple loans into a new one — often with a lower initial interest rate. However, unlike the ones you may currently be benefiting from, refinance rates could eventually begin to fluctuate. A low initial annual percentage rate (or APR) may be tempting, but it will most assuredly go up over time. Better repayment terms and lower monthly payments, along with a potentially quicker payoff are definite perks that should be considered, too.

Keep in mind that savings from refinancing are based on several factors. Your current employment status, income, college major and other factors are all considerations for creditors. A higher credit score is an asset, and if yours is in the high 600s it's probably a good idea to look into student loan refinancing.

When your loans are through the government, refinancing means losing access to potential benefits from the federal government – like income-driven repayment options, deferment, forbearance and student loan forgiveness. Moving from private loan to private loan could be less of a shock as you don't need to worry about losing any of the federally offered benefits.

If your career trajectory and financial status are in great shape, refinancing your student loan debt is certainly an option worth learning more about.

Consolidation of student loans is another option if you've got multiple in your name from the federal government. Grouping them all together won't give you better interest rates, but it may lower your monthly payments by extending them. After consolidation, your new monthly payment will be equal to the weighted average of the interest rates on your existing loans.

Eligibility for consolidation of loans usually begins when you graduate, leave school or drop below half-time as a student. Another perk is that you will remain eligible for benefits like loan forgiveness and protection programs offered by the federal government. And the application process is free, quick and simple, usually taking around 30 minutes to complete. Borrowers can also pick and choose which loans they want to group together.

The caveat for consolidations of loans is that you can only combine federal loans, so those with a private debt are unable to take advantage of the longer payment terms.

Be on the lookout for scams if you're doing more research into consolidation. Combining your federal loans is always free, so stay away from companies looking to charge you for their help. If a company is claiming to have a relationship with the government or U.S. Department of Education, don't fall for it. Find out more about at [StudentAid.gov/DebtRelief](https://StudentAid.gov/DebtRelief).

## Student debt relief options

On June 20, 2023, the Supreme Court ruled that the Biden-Harris Administration's student debt relief plan for federal loans could not move forward. President Biden and the US Department of Education are working to find relief for borrowers, including alternative paths to debt relief. [The Saving on a Valuable Education \(SAVE\) Plan](#) is an income-driven plan to help lower monthly payments.

This fall, the federal student loan payment pause will end. Interest begins accruing on September 1, and payments are due again starting in October. The Department of Education is working to protect borrowers who have missed, late or partial payments when repayment begins. For more information, contact your student loan servicer or [StudentAid.gov](https://StudentAid.gov).

## Constant vigilance

As with any financial matter, due diligence is key. Look at multiple options before making your final decision about refinancing or consolidation and if it sounds too good to be true, it probably is. Unfortunately, there is no company out there that will completely forgive your student loans – even if you pay them a large upfront sum. Be sure to read the fine print on any and all financial documents before signing anything.

If you need more information or are unable to repay your loans, consult an attorney or financial advisor to help you better understand your repayment options.