

Student Loan Consolidation

When considering consolidation of student loans, borrowers should be aware that federal student loan interest rates are subject to change every July 1. You can lock in this low rate for the life of your student loan through consolidation. Of course, rates could go lower and you would be locked out.

Borrowers with federal student loans may choose to consolidate their loans to get a single payment and extend their repayment period. However, borrowers should beware of consolidations that may result in lost benefits. One example is loan forgiveness provision benefits for certain teachers. If a teacher has already consolidated his or her loans, the loan forgiveness provision may not apply.

Lower interest rates occur because interest rates on most federal student loans are variable, but the interest rate on a federal consolidated loan is fixed and locked in for the life of the loan. Interest rates on federal Stafford loans are recalculated annually each July 1, and fluctuate with the rate of short-term federal securities.

Federal Regulations state the interest rate on a Federal Consolidation Loan disbursed on or after July 1, 1994 shall be the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent. If you have student loans that were disbursed before July 1, 1998, your consolidation rate could be higher than 3.37 percent. If the amount of the Federal Consolidation Loan is less than \$7,500, the borrower's repayment schedule may not exceed 10 years.

If you must consolidate, the best time is during your grace period. This ensures the lowest possible interest rate. To avoid losing any portion of your grace period, enter the grace period end date on the federal consolidation loan application. Don't forget to ask if you will lose any loan forgiveness provisions available to Stafford Loan borrowers.

You can also access your loan history with your federal student aid PIN at Student Access to the National Student Loan Data System ([NSLDS](#)). If you don't know who services your loan, contact the U.S. Dept. of Education Student Financial Assistance [Ombudsman](#) for help.

The U.S. Department of Education offers guidance on student loan consolidation at Federal Stafford Loan [Consolidation Information](#). You can also access your information at [Great Lakes](#) Higher Education Corp.