# Some Insights On:
Debt Management

## Should I Consolidate My Student Loans?

By Janet Stanton Burt

If you're struggling to repay student debt, loan consolidation can help you lower your payments. But before you decide to consolidate, make sure you understand what loan consolidation is and how it fits into your overall financial plans.

**What is Student Loan Consolidation?**
Consolidation is combining all your student loans into a single student loan with a new interest rate and more time to pay the loan back. You can consolidate all student loans, but you can't combine federal and private loans with each other.

When you consolidate student loans, the interest rate you pay changes. For Federal loans, your new interest rate is fixed and set at the weighted average of your current loans' interest rates, rounded up to the nearest 1/8th of a percent. Private student consolidation loans offered by banks or credit unions typically carry variable rates that fluctuate up or down over the term of the loan. The rate on your new loan is based on your credit history and credit score. Borrowers with weak credit may not qualify for a private consolidation loan, which is why you shouldn't wait until you're in default to seek help repaying your student loans.

When you consolidate your student loans, you'll be given more time to pay back the loan: From 15 to 30 years, instead of the standard 10 years for individual loans.

**Consolidation Advantages**
Because of the longer repayment period, student consolidation loans will lower your monthly payment. If you have multiple student loans, you might also like the convenience of making only one payment per month.
Additionally, Federal student consolidation loans offer a number of repayment options not offered by private lenders, including income-based repayment plans.

**Consolidation Disadvantages**
Student consolidation loans might lower your monthly payment, but since the new consolidation loan lasts longer than your current standard loans, you will end up making more payments and paying more interest overall.
You may also lose some favorable repayment options when you consolidate: Some private lenders may reduce your interest rate to reward you for making payments on time, for instance, but your new lender may not offer this option.
And that locked-in fixed interest rate? It won't look so attractive if interest rates drop below the locked-in rate.

**Should You Do It?**
If you struggle to afford your loan payments, a student consolidation loan that lowers your monthly payment may help relieve your immediate financial pressure so you can continue to make your payments on time.
However, if you're attracted to loan consolidation to avoid the headache of keeping track of 10 different monthly payments, even though you can afford them and the interest rates aren't too bad, setting up automatic payments for your existing loans may be a less expensive option. Remember, a student consolidation loan extends the repayment period and you will pay more overall.

Whether or not you consolidate your college loans, making your student loan payments on time will help you establish credit and boost your credit score.