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## **Considering Consolidation: What to do about student loan debt**

You don't have to major in accounting to know that college is expensive. According to collegeboard.com, total costs for the 2008-2009 school year topped more than \$14,000 for community colleges, more than \$19,000 for in-state public universities, and a mind-blowing \$36,000 or more for private universities. To cover these costs, many students turn to student loans.

Student loans typically require payments to begin six to nine months after graduation, without waiting until you find a job. Having loans from multiple lenders can get confusing and high student loan payments can place a hefty burden on recent grads. Consolidating these loans can help ease some of the burden.

### **Benefits**

Student loan consolidation combines loans, averaging the interest rate and stretching out the repayment schedule, making monthly payments smaller. Benefits include lower interest rates, better repayment terms, and the simplicity of managing only one loan.

### **Drawbacks**

Consolidation isn't for everyone. It doesn't just lower payments, but often extends the repayment term. So over time, you'll pay more in interest. Also, in some cases, consolidating loans forfeits grace periods and other privileges granted by the original lenders, and it usually can't be undone. It's important to ask questions to determine whether consolidation is right for you, and to choose the right program for your situation.

### **Making it happen**

To make consolidation happen, follow these post-graduation steps.

**Step 1:** Determine what student loans you have.

Most federal loans can be consolidated. Go to [loanconsolidation.ed.gov](http://loanconsolidation.ed.gov) to get started. Private student loans can also be consolidated, but they may require a cosigner who has acceptable levels of credit and income. Generally, private and federal student loans cannot be consolidated together--you wouldn't want to anyway, as interest rates on federal loans are usually lower.

**Step 2:** Contact your lender(s).

After graduation, you'll receive a repayment schedule from each lender. This document will detail how much payments will be and when they'll begin. Take this opportunity to contact each lender and inquire about consolidation options and terms.

**Step 3:** Pick a repayment plan that suits your situation.

Whether you've landed a dream job or are making minimum wage as a temp, a consolidation repayment program is available to meet your needs. Some lenders also offer rate discounts for on-time repayment or automatic payments from a checking account. Others have minimum balance requirements. Compare several lenders and find the right fit, so you can make payments in full and on time.

**Step 4:** Repay on time.

Repaying student loans on time is crucial. Missing a payment doesn't just hurt you now; it can damage your credit. If unable to fulfill your obligation, contact the lender before the payment is due. They want you to make payments as much as you do.

**Bottom Line:** The Department of Education alone will distribute around \$95 billion dollars in student financial aid in 2009. Make sure you're getting the best deal available when repaying it. Look for a lender that provides good service and offers rate reductions for automatic and on-time payments.

*Sources:* [collegeboard.com](http://collegeboard.com); [loanconsolidation.ed.gov](http://loanconsolidation.ed.gov); [finaid.org](http://finaid.org); [ed.gov](http://ed.gov); [finance.yahoo.com](http://finance.yahoo.com); [collegeincolorado.org](http://collegeincolorado.org); [studentaid.ed.gov](http://studentaid.ed.gov)

**Stats**

\$18,500--the average amount a student borrower takes out in loans during their undergraduate career, as of 2009.

*Source:* [nces.ed.gov](http://nces.ed.gov)

\$7,500--the minimum student loan balance required for many lenders to consider consolidation.

*Source:* [finaid.org](http://finaid.org)

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