

**Title:**

Why Should You Consolidate Your Student Loan?

**Word Count:**

488

**Summary:**

If you have just completed college, then chances are you are facing a mountain of student loan debt, and may feel there is no way out. You may be wondering if there is a solution or end to this nightmare. One way of dealing with this situation is to consolidate your student loan.

**Keywords:**

Consolidate Student Loan, Student Loan, Loan Consolidation, government

**Article Body:**

If you have just completed college, then chances are you are facing a mountain of student loan debt, and may feel there is no way out. You may be wondering if there is a solution or end to this nightmare. One way of dealing with this situation is to consolidate your student loan.

To consolidate your student loan to a fixed rate can be substantially better, reducing your regular payments by more than forty percent. It may also be possible to stretch the term of your payment hence reduce your monthly outgoing.

The main disadvantage when you consolidate your student loan within the six month grace period is that you must start making your payments immediately. This can be extremely awkward if you haven't yet a job outside of graduation. You can wait to consolidate your student loan just before the end of the grace period, and still receive the lower rates. But remember once you have consolidated your student loans you cannot un-consolidate them, so consider your choices before committing yourself.

How is interest calculated when I Consolidate Student Loans?

When you come to consolidate your student loans, the lending firm pays off your government loan and issues you a new loan under its own name. The typical way to determine the interest rate on the new loan is to take the average interest rates on all of the student loans, and offer a new rate that is an eighth of a percentage point higher (up to a maximum interest rate of 8.25%).

Although agreeing to a higher interest rate might not sound like a good reason

to consolidate student loans, this rate is fixed over the life of the loan, whereas the government rate will fluctuate. Since rates are at an all time low at the moment, locking in the current rates might be a good idea.

Furthermore, many banks give you ways to bring down the percentage rates. For example, some lending institutions will drop the rates by as much as a quarter point if you agree to automatic deductions from a checking or savings account, whereas others drop the rates after a certain number of timely payments. As an additional bonus, there is no penalty for paying off your consolidated loan early.

There are alternatives to consolidating your student loans. Before you decide to consolidate you should carefully consider them. Did you realize that it is possible to have your student loan cancelled altogether? Your student loan may be cancelled if you choose to become a volunteer for the peace corp., or work for the government in a low-income area as a teacher or doctor. Cancellation however, is not possible once you have consolidated your student loan.

Another time to hesitate prior to choosing to consolidate student loans is when you are close to completing your payments. Increasing your payments and saving yourself some interest and the hassle of consolidation may be more advantageous.