

Title:

Consolidating Multiple Loans

Word Count:

511

Summary:

If over time you have accumulated multiple loans it may be wise to consider consolidating those loans into one single loan. There are a variety of ways in which this may be accomplished.

Student Loans

Multiple student loans must be handled in different ways depending upon whether they were funded originally as private loans based on personal credit or as federally insured loans. Private student loans may be consolidated in the same way that any private loans are consolida...

Keywords:

consolidate loan,consolidating loans,consolidation loans,loan consolidation,loan consolidating

Article Body:

If over time you have accumulated multiple loans it may be wise to consider consolidating those loans into one single loan. There are a variety of ways in which this may be accomplished.

Student Loans

Multiple student loans must be handled in different ways depending upon whether they were funded originally as private loans based on personal credit or as federally insured loans. Private student loans may be consolidated in the same way that any private loans are consolidated. Federally insured student loans were placed with a private institution but they were guaranteed against default by the federal government. This type of loan has strict guidelines about how and when it can be consolidated.

A federally insured student loan cannot be consolidated with credit card debt or any other kind of consumer debt. Private student loans may in some cases be consolidated with federally insured student loans but doing so is highly inadvisable. Once a private student loan has been consolidated with a federally insured student loan it then falls under the same strict guidelines as the federal loan.

Further, federally funded student loans will only be consolidated at an interest rate equal to the weighted average of the rates on all the loans being consolidated. At present that rate is capped at 8.25% but with all interest rates on the rise, this cap may soon be increased. In addition, loans must be consolidated within a certain time period after the student either graduates or leaves school without graduating. Also, federally insured student loans cannot be consolidated a second time unless a newly funded student loan is rolled in with the loans that were previously consolidated.

#### Multiple Home Mortgage Loans

If your home currently carries both a first and a second mortgage you may want to think about consolidating the two. This is especially true if your credit is good and the interest rates on the current mortgages are more than two percent higher than current mortgage rates. However, there are other factors to be pondered when considering this type of loan consolidation.

Refinancing your home carries certain closing costs. In order to avoid having to pay any out of pocket costs, these closing costs will be financed as part of your new consolidated mortgage loan. You should examine the affect that the refinancing will have on the cost you pay over the lifer of the loan. Consolidating your home mortgage or refinancing that mortgage multiple times can actually be more costly than just sitting with the current loans. This is especially true if you will not be staying in your home more than three to five years.

#### Multiple Personal Loans

You would choose to consolidate multiple personal loans for the same reason you would consolidate multiple home mortgage loans; that is, if the interest rates you are currently paying are significantly above the currently available interest rates. Again, in order for a loan consolidation of this sort to be viable, you must have good credit and the cost of the multiple loan consolidation must not outweigh the savings you would accrue.