



# EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

175 South Lake Ave, Suite 200, Pasadena, California 91101

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[www.Edfed.com](http://www.Edfed.com)

## The Importance of Consolidation

*By Amit Agarwal*

Students who take out loans from different lenders often don't realize that consolidating these loans into a single loan could save them the trouble of having to keep track of every payment. Consolidation, in most cases, extends the repayment terms and reduces the interest rates on some loans. The benefits of loan consolidation are as follows:

### **Easier monthly payments**

A consolidated loan is a single loan that replaces several loan payments with a single payment. It is much easier to pay one monthly payment than to keep track of multiple payments with different payment dates and amounts. Consolidation streamlines the repayment procedure.

### **Exposure to alternate payment plans**

Students who consolidate learn about alternate repayment options available in the market. These options include graduated repayments, extended repayments, and income-contingent repayments. Most plans reduce the amount of each monthly payment, often by as much as 50%, by extending the term of the loan. It's easier for students to repay smaller monthly amounts. However, consolidation does increase the total amount of interest paid throughout the loan term.

### **Consolidation is favorable for PLUS loans**

Consolidated Parent Loans for Undergraduate Students (PLUS loans) have reduced interest rates, as consolidation loans' interest rates are capped at 8.25%. It is always better to consolidate PLUS loans separately from Stafford and Perkins loans. This maximizes the benefits of reduced interest rates. Parents can take out new loans each school term and lock in lower rates by reconsolidating each year.

### **Advantages of deferments and forbearances**

After consolidation, a student's deferment and forbearance period is reset. The three-year clock on certain deferments and forbearances helps students gain more time. This is useful for medical school students, who do not get in-school deferments during their internship and residency stages.

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## **Consolidation restarts the loan term**

The repayment term for loans that are already in repayment can be reset if you consolidate. This affords certain benefits like a lower monthly payment without extending the term as much as standard extended repayments do.

## **Loan discounts through consolidation**

Switching lenders when consolidating your loans may prove to be a good bargain. Upon consolidation, many loan companies offer discounts on loan interest rates and attractive rebates on the fees.

Consolidation is also useful for graduates when the time comes for them to seek mortgages on houses. However, there may be some problems with consolidation, such as the loss of subsidized interest benefits and the other benefits of Perkins loans. Furthermore, extending the repayment term through consolidation may increase the total interest paid over the lifetime of the loan. When a student consolidates during a grace period, he or she has to begin repayment immediately and therefore loses the remaining time and possibly interest benefits on subsidized loans as well. Students should weigh the pros and cons before consolidating.

## **On the Net**

Why Consolidate?

[www.finaid.org/loans/whyconsolidate.phtml](http://www.finaid.org/loans/whyconsolidate.phtml)

Student Loan Consolidation

[www.studentdoc.com/student-loans.html](http://www.studentdoc.com/student-loans.html)

Definition of Loan Consolidation

[www.google.co.in/search?hl=en&defl=en&q=define:Loan+Consolidation&sa=X&oi=glossary\\_definition&ct=title](http://www.google.co.in/search?hl=en&defl=en&q=define:Loan+Consolidation&sa=X&oi=glossary_definition&ct=title)

Consolidating PLUS Loans

[www.simpltuition.com/resource/parents/after-graduation/consolidating-plus-loans](http://www.simpltuition.com/resource/parents/after-graduation/consolidating-plus-loans)