



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

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Private Student Loan Consolidation: Myths Debunked

Private student loan consolidation. It's almost an enigma. With few lenders offering such programs, and scarce information available to borrowers, precious little is known about this type of education debt management. Does it even exist? What does it entail? Is it for me?

And because private student loan consolidation is not widely known, many myths are floating around. To help borrowers, students, and parents better understand private education debt management, EdFed has compiled the various myths and questions concerning private student loan consolidation in order to set the record straight. Read on to learn more and help yourself make an educated decision about your private student loans.

Myth: It is not possible to consolidate my private student loans.

This, perhaps, is the most common myth about private student loan consolidation. Many borrowers simply believe it does not exist. For whatever reason, private student loan consolidation is not heavily marketed to borrowers, nor is information about various programs made available. Indeed, many lenders that offer federal student loan consolidation do not offer private student loan consolidation. In fact, lenders that offer private student loan consolidation are few and far between.

Regardless, it is important that borrowers know that they do have the option to consolidate their private student loans. Private student loan consolidation works in much the same way as federal student loan consolidation. All of a borrower's private student loans are combined into a single loan with a single rate. One monthly payment is made to a single lender. This in itself immensely simplifies borrowers' lives and increases their chance at successful repayment.

Myth: Consolidating my private student loans will give me a fixed interest rate.

Those borrowers who are aware of private student loan programs often confuse the terms of such programs with those of the better known federal student loan consolidation program. Federal student loan consolidations offer a fixed interest. The federal government created the program to assist borrowers with the management of their federal education debt. The program is dictated, policed, and ultimately funded by the government, and thus lenders must adhere to

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the provisions set out in the federal program. One of these provisions is the locking in of a low interest rate.

However, private student loans are not funded by the federal government. Private student loans are more along the lines of a consumer loan. Thus, private student loans are subject to the terms of each individual bank or lender that originates the loans. Private student loans are credit-based. A borrower's credit is the primary factor in the final interest rate – *variable* interest rate, that is.

Private student loan consolidations work in the same way. Private student loan consolidations are consumer loans based on a borrower's credit rating. Thus, the rate remains variable. There may be some lenders that offer fixed interest rates on private student loan consolidations; however, these offers usually come with a long string attached, so borrowers be warned.

Myth: After I consolidate my private student loans, I will still be able to postpone payments.

This is a tricky one. First of all, borrowers may again be confusing the benefits of a federal student loan consolidation with the benefits of a private student loan consolidation. Federal student loan consolidations do offer several types of deferment and forbearance options. Borrowers can postpone their payments for a variety of reasons, such as being enrolled in school, unemployment, military deployment, or even simply to pay off other bills first.

However, these same deferment and forbearance options might not all be available with private student loan consolidations. Keep in mind, private student loan consolidations are made by banks or other finance lenders, and they make their own rules. Thus, one lender's deferment options may differ from those of the next lender. One lender might offer deferment while another may offer forbearance. It's crucial for borrowers to understand exactly what types of deferment and forbearance options are available to them before choosing any lender.

Myth: I cannot consolidate my private student loans because I've only borrowed one private student loan.

This is not true. Yes, the word consolidation does denote the bringing together of many things into one. However, another way to think of private student loan consolidation is the refinancing of private education debt. Borrowers have the option to refinance their private student loan at a better rate and move their private student loan to a lender with better terms. By securing a lower interest rate, though still variable, borrowers reduce the total cost of their private student loans.

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Myth: Private student loan consolidation is for borrowers who cannot manage their education debt.

Private student loan consolidation is in fact a proactive decision to effectively manage education debt. Perhaps there is a social stigma surrounding consolidation due to the negative associations with debt consolidation. Individuals who consolidate credit cards and personal loans may be struggling to manage their debt. However, private student loan consolidation is not a borrower's last resort to pay their bills. Borrowers choose to consolidate their private student loans to improve their financial situations. They can lower their monthly payments, freeing up cash for other debt; receive a lower interest rate, reducing the total cost of the loans; and improve their credit.

With the myths surrounding private student loan consolidation debunked, borrowers should now be able to effectively contact lenders, compare programs, sift through the misinformation, and select a loan that will best assist them in managing their private education debts.

For further reading:

[Private Student Loans and Consolidation](#)

[Credit Report Information](#)