

## Consolidate Federal Student Loans

Tuesday, 04 December 2007

If you wish to live a better life, then you must be ready to take up consolidation programs which can help to reduce your student loan payments. The Student Loan Consolidation program was set up by the US government to help students combine together multiple loans into one with the objective of cutting down the problems with coping with multiple lenders. There are 2 sources of student loan consolidation

The first is Student Loan Consolidation by Federal Government while the second is Student Loan Consolidation by Federal Providers. The Federal government student loan consolidation is backed by the government and provides you with the opportunity of extending your repayments terms. Let's say for instance you have a loan facility with Stafford loans you will be subjected to variable interest rates which changes annually. But when you consolidate you will be given the offer to pay lower rates and there are many government loaners that will offer these services at no extra charge. There are many players in the market who are willing to offer these services. Care must be taken to appoint the right financial institution who would offer the best deal to do business with. If you are still within the grace period and you have graduated, you can walk to any government backed institution to consolidate your student loans. Early consolidation of loans say immediately after the 6 months grace period can lock the interest rates at 6.625% or 6.75%. But after the grace period the rates would be a little higher say 7.125% to 7.25%. These rates are not constant so you must carefully check these rates before accepting the deal. Federal student loan consolidation has gotten its pros and cons. With Federal student loans you can extend the period of payment of the loan. You also have the option of either standard repayment in which your monthly payment is at a fixed rate. On the other hand if you choose the option of graduated repayment, your payments starts low first then increases gradually by a scale specified by the lender. There is another option of income sensitive payments which increases as your income increases. The minimum amount for repayment regardless of what ever type of loan you choose is \$50 except for the income sensitive repayment plan where the rule is more relaxed. Depending on the terms of your loan you can choose to change your repayment plan anytime. Repayment plans are usually very flexible.