

Student Loans Consolidation Service

Tuesday, 04 December 2007

Merging of loans which is the bedrock of loan consolidation services go a long way in solving the payment patterns. Therefore student loans are designed by projecting the possible income of the student a few years after graduation. If the student has acquired other loans alongside the student loan, the student may need to consolidate his loans for ease of management. Instead of managing the loans separately which could be a difficult task, consolidating the loans can make it easier to manage better.

There are two types: Federal Family Education Loan Program and the Federal Direct Student Loan Program. FDLP is offered by the United States department of Education while FFELP is offered by lending agencies, banks, and others. You can apply for consolidation of student loan at any time as long as you are eligible.

Eligibility under the FFEL requires that you must have started repayment of each of the loans you decide to consolidate. It is also required that you must be in the grace period before you can be allowed to consolidate your loans. It is important to note that as soon as the grace period or an approved period of deferment has ended, the loan will be calculated on the weighted average fixed rate. Hence the Federal Consolidation Loan will turn out to be higher if you consolidate at this time. People under private student loans available through private lenders are not eligible for the Federal Loan Consolidation program. One of the benefits of direct loan consolidation is the ability to lengthen repayment plans from the standard two or three decades depending on the amount of money owed.

The interest rate charged on consolidated loans is determined by the average of all the interests of all outstanding loans that is being consolidated and a fixed interest rate of over eight percent is applicable. This creates a great relief in repayment. Monthly repayments are lower hence you would have enough money to meet other living expenses such as utilities bill payments, and career related necessities. Although the total amount to be paid over the term of the loan would now be higher. You can also make overpayments when it is convenient thereby reducing repayment term. The Direct Loan Origination Center's consolidation department handles all issues pertaining to consolidation of Federal student loans. The various agencies offering the federal loan services also provide detailed information on about how to go about it.