

# The “Ins and Outs” of Student Loan Refinancing and Consolidation



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# Presentation Highlights

- Taking Stock – Federal or Private
- Refinance or Consolidate - Understanding the Difference and Comparing
- Borrower Requirements – Am I Eligible?
- Refinance and Consolidation Examples

# Taking Stock

- Federal or Private
  - Understand the difference
- Federal Student Loans
  - National Student Loan Data System (NSLDS)
  - <https://nslds.ed.gov/nslds/>
  - Financial Review – Accept – Enter Credentials
  - Enter FSA ID or Create One
- Information Needed
  - Current balance and repayment term
  - Interest rate
  - Subsidized or unsubsidized
  - Monthly payment
  - Servicer contact information
- Benefits –
  - Three years deferment after graduation (subsidized loans do not accrue interest)
  - Loan cancellation for death and disability
  - Forgiveness programs for teaching and public service
  - Repayment options including income based
  - Consolidation and refinance options available
  - Default rehabilitation

**NSLDS** STUDENT ACCESS  
National Student Loan Data System

# Taking Stock

- Federal or Private
  - Understand the difference
- Private Student Loans
  - University's financial aid office
  - [annualcreditreport.com](http://annualcreditreport.com)
  - Experian – Equifax – Trans Union
- Information Needed
  - Current balance and repayment term
  - Interest rate
  - Monthly payment
  - Servicer contact information
- Benefits
  - Varies by lender
  - Co-signer release option
  - Interest reduction for automatic payments
  - Forbearance options
  - Refinance options available

College  
Financial  
Aid



[AnnualCreditReport.com](http://AnnualCreditReport.com)

The only source for your free credit reports. Authorized by Federal law.

# Consolidation vs. Refinance

## **Consolidation –**

Consolidation means you are simply combining your existing loans. Your total payment amount and total interest will likely remain the same, but you'll have the convenience of making one payment rather than multiple payments. This type of loan is usually associated with federal student loans. Federal consolidation includes only federal student loans.

## **Refinance –**

When you **refinance**, you are taking out a single new loan to pay off your old ones. You'll have a new interest rate, new terms, and a different monthly payment amount. Refinancing includes federal and private student loans.

# Consolidation vs. Refinance

## Consolidation

- Lender – US Dept of Education
- Interest rate – weighted average
- 15-30 year repayment term
- Income driven repayment options
- Federal loans only
- May qualify for education tax benefit
- Visit <https://studentloans.gov>

## Refinance

- Lender – Credit Unions or Finance Companies
- Interest rate – fixed or variable
- 5-25 year repayment term
- Federal and private student loans
- Borrowers may include parent PLUS loans
- May qualify for education tax benefit
- Visit lenders website for details and application

# Borrower Requirements – Am I Eligible?

- ✓ Are you a college graduate?
- ✓ Do you have an established credit history?
- ✓ Do you have good credit?
- ✓ What is your employment history?
- ✓ Do you have steady income?



# Should I Refinance or Consolidate?

- ✓ What is your main goal or objective?
- ✓ What are your interest rates and terms?
- ✓ Federal student loan benefits?
- ✓ Are you eligible?
- ✓ How much can you save?





# Example...

Borrower and parents had \$94,847 in federal student loans with interest rates 6.8% - 7.9%. Loans included three direct loans and two parent PLUS loans. Borrowers had been in repayment two years and had eight years left until maturity. Borrowers main objectives were to lower interest rate, lower term and take over responsibility of PLUS loans from parents.

**A.** Current -10 year repayment plan with 8 years remaining

<b>Monthly Payment</b>	<b>\$1311</b>
<b>Total Interest</b>	<b>\$30,998</b>

**B.** New - Refinanced for 5 years at 3.45% variable interest rate

<b>Monthly Payment</b>	<b>\$1723</b>
<b>Total Interest</b>	<b>\$8552</b>

**Savings**  
**\$22,446**

# Example...

Borrower had \$32,445 in federal student loans with interest rates 3.6% - 6.125% and \$35,282 in private loans with interest rates 8.25% – 10.5%. Borrower had just entered repayment. Main goals were to lower monthly payments and lower interest rates.

**A.** Current - Federal loan 10 year repayment plan (level)

Monthly Payment	\$344
Total Interest	\$8851

**B.** New - Federal consolidation loan 20 year repayment plan

Monthly Payment	\$213
Total Interest	\$18,730

**C.** Current - Private loan 18 repayment plan

Monthly Payment	\$342
Total Interest	\$38,595

**D.** New - Refinanced for 15 years at 7.25%

Monthly Payment	\$312
Total Interest	\$20,917

Savings **\$7799**  
Monthly payment lowered by \$161  
(\$525 vs \$686)

# Example...

**Borrower** had \$29,254 in federal subsidized and unsubsidized student loans with interest rates 3.6% - 6.125% and \$25,690 in private loans with interest rates 3.5% and 4.72%. Borrower had just entered repayment. Borrower is planning to return to graduate school in one year. Did not refinance. Why?

- Federal loans may be deferred when they enter graduate school
- If payment is deferred in graduate school, government will pay interest on subsidized loans
- Private lender will allow two years of deferment during graduate school
- Private loan interest rates are competitive and fixed with a comfortable monthly payment

# Thank You for Attending

**Tricia Poplicean**

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**Please contact us with any additional questions:**

[scholarhelp@studentchoice.org](mailto:scholarhelp@studentchoice.org)

<http://www.studentchoice.org/college-access-counselor>

**National Webinars:**

<https://www.studentchoice.org/national-webinar-recording/>



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