



GUIDE TO REFINANCING YOUR STUDENT LOANS

Note: Due to CARES Act provisions waiving payments and interest on most federal student loans, we highly recommend that you carefully consider all of your options before refinancing your federal loans.

[More Information](#)

SHOULD I REFINANCE?

Refinancing your federal and/or private student loans can be a great way to consolidate multiple loans into a single payment, and potentially save money in the long run – but every student loan situation is unique. Here are some things to consider before deciding if you should refinance:

PROS

- **One loan with one simple payment means less paperwork and hassle**
- **Potentially save money on interest and lower long-term debt**
- **Potentially lower your payment to help with monthly cash flow**

CONS

- **Potential loss of certain borrower benefits associated with federal student loans***
- **Payments could be extended over a longer repayment term in exchange for a lower monthly payment**
- **Shortening the repayment term (which may reduce interest paid) could raise your monthly payment**

**By refinancing federal student loans, you may lose certain borrower benefits from your original loans. These may include interest rate discounts, principal rebates, or some cancellation benefits that can significantly reduce the cost of repaying your loans. [Read More.](#)*

FAQ OF REFINANCING YOUR STUDENT LOANS

1 What does it mean to refinance my loans?

Once your student loans have entered grace or repayment, you may have the option to refinance (and consolidate) them into a new loan with a private lender, such as a credit union. This means you can **combine multiple loans into one new loan**, with one payment and one interest rate.

2 Can I combine federal and private loans?

If you utilize the federal government's consolidation program, you may only consolidate your federal loans. If you choose to refinance and consolidate your loans with a private lender, **you may be able to combine both federal and private loans (including PLUS Loans)**.^{*} Keep in mind that by refinancing your federal student loans with a private lender, you may lose certain borrower benefits from your original loans.

3 Are there reasons why I wouldn't want to refinance my loans?

Borrowers that choose to lower their monthly payment may choose a **longer repayment term**, which lengthens the life of your loan and can **increase the long term interest paid** in exchange for a lower monthly payment.

If you're refinancing federal loans, you are no longer entitled to the repayment options and borrower benefits you'd normally get through your federal loan—like income-based repayment, unemployment deferment, loan forgiveness programs, a grace period, and CARES Act provisions in place through September 30, 2021.

4 Who can help me decide if I should refinance my student loans?

Student Choice's College Counselor is an excellent resource for discussing your consolidation and refinance options. You can chat via email or [schedule a free, one-on-one phone appointment](#).

^{*} Options and terms may vary by credit union.

5

What is the difference between federal “consolidation” and private loan “refinance”?

FEDERAL DIRECT CONSOLIDATION LOAN:

A Direct Consolidation Loan from the federal government allows you to **consolidate multiple federal education loans into one loan.**** The result is a single monthly payment for your federal student loans at one interest rate instead of multiple payments.

- A Direct Consolidation Loan has a fixed interest rate for the life of the loan. The rate is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1%. There is no cap on the interest rate of a Direct Consolidation Loan.
- Offered only via the federal government. You can apply for a Direct Consolidation Loan through StudentAid.gov.
- Available only for federal student loans, private loans cannot be consolidated
- A PLUS loan made to the parent of a dependent student cannot be passed on to the student during the consolidation
- Repayment term can be readjusted between 10-30 years

PRIVATE STUDENT LOAN REFINANCE:

Your credit union will **pay off your existing student loans** (including federal and private) **and combine them into a single new loan.** You will then make a single loan payment to your credit union instead of multiple lenders.

- Borrowers may choose fixed or variable interest rates which are then set based on your financial and credit history***
- Refinance private and federal student loans (including parent and graduate PLUS loans) into one payment***
- You can potentially lower your interest rate or monthly payment depending on the repayment terms you select.
- Federal repayment programs such as income-based repayment, unemployment deferment, loan forgiveness program will no longer be available.

** Keep in mind that by consolidating your federal student loans, you may lose certain borrower benefits from your original loans.

*** Options and terms may vary by credit union.

3 REASONS YOU SHOULD CONSIDER REFINANCING

A woman with dark hair in a bun, wearing a dark grey t-shirt and black pants, is kneeling on a concrete sidewalk. She is smiling and hugging a young girl with blonde hair, who is wearing a yellow dress with a floral pattern. The girl is standing on the sidewalk. In the background, there is a white house with a porch, a white railing, and an American flag. There are green plants and flowers in the foreground.

1

You're paying a high interest rate on your loans

2

You have multiple private student loans and/or higher rate federal loans

3

You have a good credit history or a strong co-signer

LEARN MORE

Refinancing your student loans can be a great way to consolidate payments and potentially save money on interest over time. However, refinancing may not be the best option for everyone. Review these resources or [schedule an appointment with our College Counselor](#) to learn more about the pros and cons of refinancing, then visit our Student Loan Resources page for program details and to get started.

[Consolidation Vs. Refinance?](#)

[Refinance Calculator](#)