What Are the Benefits of a Student Consolidation Loan

If you have successfully managed to get through College and University then you are probably also burdened with a certain level of debt as a result of your studies. Unsurprisingly, the last thing that most students need after they have finished their education is to be faced with a mass of debt repayments, especially as most do not get their ideal job straight away. If this sounds like you then perhaps you should consider a Student Consolidation Loan. These loans are ideal for those students fresh out of education and are worried about meeting the monthly repayments on their loans.

The Federal Consolidation Loan Program was first established in 1986 with the intention of helping students with their financial commitments. In 1999, the original variable rate was replaced with a fixed rate of interest.

Dependent upon each individual's wishes the student can choose to make repayments over a duration of 10 to 20 years. The payments are over a longer period of time than the initial loans but the repayments are more manageable. Students need to also recognize that some of the original loan benefits such as post graduation grace periods are not retained under the loan consolidation program.

Those students you are successful in applying for a consolidation loan will need to fulfill certain criteria.

Any student who has taken federal loans such as a Stafford loan or Federal Perkins loan are eligible to consolidate them so that only one monthly payment needs to be made. However private sector loans are currently not party to the scheme.

The student will need to have a total amount of at least $20,000 in federal loans and cannot have defaulted on any of them. To apply you will need to be in the grace period after the course has finished or have made some repayments. However on a positive note, eligibility does not require that you are employed and a co-signer is not needed to complete the application.

Consolidation loans are perfect if you are struggling to manage the debt repayments and they offer a number of benefits.

Besides the aforementioned reduction in monthly payments and a smaller amount to pay over a longer period of time, the student consolidation loan can actually help to improve your credit rating immediately, rather then years from now.

During college you probably took out Stafford loans that are logged as separate loan agreements. Typically, the average college student will have 6 to 8 loans on file at the time of graduation. One of the key factors in deciding a person's credit rating is the total number of credit agreements they have. Consolidation, therefore can instantly improve the situation.

Besides this, the consolidation loan is great because it is set at a fixed rate, which means that you can be absolutely certain of the amount that you need to repay each month. Currently a consolidation loan cannot be set any higher than 8.25%.

If you are concerned about credit checks when making the application then there is no need to worry. The consolidation loan does not require this and there are a range of flexible payment plans that can be designed to fit around your individual circumstances.

In this respect, you should also consider the option of making repayments via direct debit. This is not obligatory but it can assist in helping you to manage your finances and there is an additional incentive of a 0.25% reduction on the rate of repayment.

About the Author

If you have bills from higher education learning visit our [Student Loan Consolidation]() website and review our [DebtSmart Column]().

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