Pros of Student Loan Consolidation

- **One payment.** Consolidation means combining all your federal loans into one. That loan will be serviced by one lending institution and requires one monthly payment.
- **Fixed interest rate**. If you have a lot of loans, you probably have a lot of different interest rates. A consolidated loan has a fixed rate for the life of the loan. The interest rate on a consolidated loan is based on the average of the interest rates on all the loans being consolidated, rounded up to the nearest one-eighth of one percent.
- **Lower payments**. Consolidation offers a variety of repayment plans, most of which extend the terms of the loan from 10 years to 15, 20 or even 30 years. A longer term loan can lower the monthly payment by as much as 50 percent, making it more affordable while you get going in the working world. It's also possible to get reduced interest rates and that too will reduce monthly payments.
- **Multiple repayment plans**. A Federal Consolidated Loan is eligible for a number of repayment plans and borrowers are free to choose the plan that best suits their situation. Borrowers also can switch repayment at any time. Repayment plans for Federal Consolidated Loans include: Standard (10 years), Extended (25 years), Graduated (start low, increase every two years for between 10 and 20 years), and Income-based (10-15% of your discretionary income).
- **Deferment/forbearance options**. Because a Federal Consolidation Loan is a new loan, it restarts the clock on deferments/forbearance for up to three years. Also, if you can't repay a Federal Consolidation Loan because you are looking for a job, you can apply for unemployment or economic hardship deferment and delay paying for up to three years.
- **No minimum or maximum.** There is no minimum amount to qualify and no maximum amount that can be consolidated.
- **Envelopes and stamps**. Because you're dealing with only one lending institution, as opposed to five, 10, 15 or maybe more – you will need only one envelope and stamp per month, saving you some money and much aggravation.

Cons of Student Loan Consolidation

- **No private loan consolidation**. Student loans from private lenders or institutions can't be part of the Federal Consolidation loan program. On the other hand, certain private lenders allow loan consolidation that could include federal loans, but the interest rates are usually much higher on private consolidations.
- **Benefits are gone.** Perkins Loans have cancellation benefits if you meet certain requirements. Those benefits could go away if you consolidate the loan. For example, volunteering with the Peace Corps or AmeriCorps, military, police, firefighters, teachers teaching in a low-income area, legal work that serves the public, or practicing medicine in an underserved area can have 100 percent of a Perkins loan canceled, if they meet certain conditions. This opportunity could go away if the Perkins loan becomes part of a Federal Consolidation Loan.
- **Lost "grace" period.** Borrowers typically get a nine-month window before having to start repaying student loans. That goes out the door when you consolidate your loans. You typically start paying two months after your loan consolidation is approved.
- **No do overs**. You can only consolidate student loans one time. If interest rates fall after you consolidate, you're stuck with the interest rates you agreed to during consolidation.