URS
Utah Retirement Systems

Should I Consolidate My Student Loans?

It depends on your individual circumstances

Pros

» If you currently have federal student loans that are with different loan servicers, consolidation can greatly simplify loan repayment by giving you a single loan with just one monthly bill.

» Consolidation can lower your monthly payment by giving you a longer period of time (up to 30 years) to repay your loans.

» If you consolidate loans other than Direct Loans, consolidation may give you access to additional income-driven repayment plan options and Public Service Loan Forgiveness (PSLF). The PSLF Program forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer. (Direct Loans are from the William D. Ford Federal Direct Loan Program.)

»You'll be able to switch any variable-rate loans you have to a fixed interest rate.

Cons

» Because consolidation usually increases the period of time you have to repay your loans, you will likely make more payments and pay more in interest than would be the case if you didn't consolidate.

» When you consolidate your loans, any outstanding interest on the loans that you consolidate becomes part of the original principal balance on your consolidation loan, which means that interest may accrue on a higher principal balance than might have been the case if you had not consolidated.

» Consolidation may also cause you to lose certain borrower benefits—such as interest rate discounts, principal rebates, or some loan cancellation benefits—that are associated with your current loans.

» If you're paying your current loans under an income-driven repayment plan, or if you've made qualifying payments toward Public Service Loan Forgiveness, consolidating your current loans will cause you to lose credit for any payments made toward income-driven repayment plan forgiveness or PSLF.

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Cons, Continued

If consolidation would cause you to lose the benefits associated with some of your current loans and you are working toward earning those benefits, you should not include those loans in your new Direct Consolidation Loan. When you apply for a Direct Consolidation Loan, you don't have to consolidate all of your eligible loans.

For example, if you have both Direct Loans and other types of federal student loans, and you have been making payments toward PSLF on your Direct Loans, you should not consolidate your Direct Loans along with your other loans. Similarly, if you have Federal Perkins Loans and you are employed in an occupation that would qualify you for Perkins Loan cancellation benefits, you should not include your Perkins Loans when you consolidate. Leaving out your Direct Loans or Perkins Loans will preserve the benefits on those loans.

If you want to lower your monthly payment amount but are concerned about the impact of loan consolidation, you might want to consider deferment or forbearance as options for short-term payment relief or consider switching to an income-driven repayment plan for longer-term payment relief.

Once your loans are combined into a Direct Consolidation Loan, they cannot be removed. The loans that were consolidated are paid off and no longer exist.

For more information about all aspects of student loans, visit
https://studentaid.gov/h/manage-loans