

## Evaluating Student Loan Refinancing

Recent graduates typically have federal student loans with a variety of interest rates, usually between 3.4 and 7.9 percent. Federal consolidation does not reduce your interest rates; the only way to reduce the interest rates of your loans is to refinance with a bank or private lender.

Refinancing student loans with a private lender has pros and cons. On the one hand, you might be able to reduce your interest rates and save money over time. On the other hand, refinancing federal loans with a private lender means you give up valuable flexible repayment and forgiveness provisions and unique consumer protections.

**Interest rates are not the only thing that matters.** The consumer protections associated with federal loans are unique. If you refinance your federal loans, you give up eligibility for an [Income-Driven Repayment Plan](#), [Public Service Loan Forgiveness](#), [statutory discharge](#) provisions (such as death and disability discharge), and federal forbearances and deferments. Specific federal loans have additional benefits. For example, Subsidized loans do not accrue interest during specific periods, such as when you are a full-time student. Federal Perkins loans have special cancellation provisions for borrowers in specific professions.

Some private lenders are incorporating provisions designed to mimic some of the federal benefits, but be careful to read the fine print and understand that refinancing federal student loans into private loans comes with risk.

To effectively weigh the trade-offs of refinancing, you'll need to look up the specifics of your existing loans and compare the key details of your existing loans to the refinancing loans you are considering.

### **The information you need and how to find it:**

Begin by getting a clear inventory of your existing loans using the National Student Loan Data System at [NSLDS.ed.gov](https://nslds.ed.gov) and your free credit report available from [annualcreditreport.com](https://annualcreditreport.com). Fill in any gaps by contacting your student loan [servicer](#). Not sure which company services your loans? Your federal record from the [NSLDS](#) lists your federal loan servicer.

If you have private student loans, you'll find what you need to know in the Promissory Note. If you can't find the Promissory Note, you can request it from your loan servicer. Your [credit report](#) lists your private loan servicers.

It's smart to consider your **loan balances, interest rates, and these features of your existing loans:**

1. Determine what combination of the following loans you have:
  - Federal student loans (listed on NSLDS)
  - Private student loans (listed on credit report but not on NSLDS)
  - Subsidized loans (labeled subsidized on NSLDS)

- Perkins loans (labeled Perkins on NSLDS)
- 2. If you have private student loans, determine if the interest rates are fixed or variable? If the interest rate is variable, how often does it reset? Is there any cap on the interest rate (find this information in your Promissory Note)?
- 3. Do some or all of your private loans have a cosigner? If yes, do any of the loans include a cosigner release provision? If yes, do you meet the release requirements (also in the Promissory Note)?

**Circumstances weighing towards refinancing could include any of the following:**

- You qualify for a lower interest rate.
- You have variable interest rate loans and want to refinance into a fixed rate.
- You have existing cosigned loans and you can release the cosigner by refinancing.
- You have deliberately evaluated the federal benefits you would be giving up and determined that you want to refinance anyway.

**The best student loan refinancing terms are offered to borrowers who represent the lowest risk to the lender.** People with excellent credit histories and strong debt-to-income ratios qualify for the lowest available interest rates. Underwriting standards vary among lenders, but many look for credit scores above 650 and salaries above \$75,000.

**If you are planning to refinance, it makes sense to shop around.** If you decide to refinance, understand that you have options. The banks and private lenders offering student loan refinancing compete with one another for business. To find the best combination of features for your individual circumstances, you'd need to compare multiple refinancing offers--but be sure to do your applications over a short time; applying for credit can lower your credit score a little. Submit your applications when a temporary dip in your credit score won't matter (not right before you apply for a mortgage). According to MyFICO, private student loan inquiries made during a 30-day period will have little to no impact on credit score.

**Available comparison tools aren't comprehensive or objective.** Online tools for comparing private student loans commonly generate revenue from lenders. The sites may not include all lenders or loans and may publish results in such a way as to maximize their own profits. Also, a comparison site may advertise interest rates that do not fully reflect a borrower's actual rates. In spite of the limitations, it may be worthwhile to browse a for-profit, private student loan comparison site such as [Credible](#) and [Simple Tuition](#).