



The Pros and Cons of Refinancing Student Loans

If you have student loan debt, refinancing could be a great way to save money. When you refinance, your old loan or loans are paid off with a new loan, and the old terms are replaced with new terms. Most people look to refinance their loan to pay less interest or have smaller monthly payments.

The Pros of Refinancing

- 1. Lower Monthly Payments** – If interest rates have dropped since your original loan, you can take advantage of the lower rate by refinancing. Securing a better rate not only lowers your monthly payment, but reduces the amount you owe over the life of the loan.
- 2. Readjusted Loan Terms** – Years down the road, you may realize the loan you have is no longer the best fit for your needs. Readjusting your loan terms can lower your monthly payments and even reduce your overall debt.
- 3. Ability to Consolidate Loans**– When it comes to student loans, refinancing can help you consolidate multiple loans into a single, larger loan¹. Some borrowers may also let you consolidate private and federal loans together, so you only have to worry about one payment.

Cons of Refinancing a Loan

- 1. Increased Interest Payments** – Even if refinancing lowers your monthly payment, it's possible to pay more in interest over the life of the new loan. Also, switching your type of loan might mean facing higher interest rates. It's important to consider how much interest you'll be paying total on your new loan, versus how much you've already paid with your old loan.



REFINANCING A LOAN ARTICLE

2. **Cost of Refinancing** – Another consideration is the cost of refinancing fees, versus how much you'll save. Penalties from paying off your existing loan early, fees and other costs may all factor into the overall expense. It's important to make sure the benefits outweigh the costs before refinancing.
3. **Loss of Loan Benefits** – Although refinancing to find a loan that's a better fit is a good thing, losing benefits or terms might not be. When it comes to student debt, consolidating federal and private loans may disqualify you from some [federal loan benefits](#). Make sure to review your loan terms thoroughly and waiting until any grace periods are over before refinancing to a new loan.

Still wondering if refinancing is right for you? Learn more or schedule a no-cost, no-obligation refinancing consultation by calling 855.422.5680 or visiting firsttechfed.com/studentloan today.

Source:

<http://www.thesimpledollar.com/student-loan-consolidation-pros-and-cons/>

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