

Choosing a Student Loan Consolidator



Get the Facts Before You Consolidate

Today, it can be confusing to choose a student loan consolidator. Some marketing messages can be vague, conflicting and occasionally unreliable.

Whether being contacted by phone, e-mail, or direct mail, you should get the facts. Here are some basic questions to ask before you choose your loan consolidator.

Contact us for more information, 1-800-448-3533, or visit us at www.salliemae.com/consolidation.

Important Questions to Ask Before Choosing a Student Loan Consolidator

Know the company – Ask, “Are you the lender? Who will service my loans?”

Many companies are marketing themselves as loan consolidators when in fact they are brokers and will sell your loan to a lender. In many of these cases, you will not be able to choose the lender or loan servicer.

Look for experience – Ask, “How long has your company participated in the Federal student loan program?”

Many companies are entering the student loan consolidation loan market now. Some are not as familiar as others with the Federal student loan program. It's important to choose a lender that understands the regulations and can counsel you on your best options.

Understand the type of loan you are being offered – Ask, “Is this a Federal consolidation loan or a consumer loan?”

Taking your federal loans out of the federal program can be costly; a Federal consolidation loan offers specific benefits such as a fixed interest rate, deferments, forbearances, and possibly interest subsidies. Additionally, there are no application fees, no prepayment penalties, and generally no credit checks.

Research the repayment incentives – Ask, “How do I qualify for these incentives? How do I lose these incentives?”

Many lenders offer interest rate reductions or other borrower incentives to reward borrowers who pay on time. Most programs have certain eligibility requirements such as a minimum beginning loan balance and/or a requirement for making a set number of on-time payments. If you miss or are late on even one payment, many programs void the benefit.

Know your loan portfolio – Ask, “Are there loans I might want to leave out of a consolidation?”

Consolidation isn't the answer in all circumstances. Some loans may be eligible for loan forgiveness or other benefits that will be lost when consolidated. If you are encouraged to consolidate all of your eligible loans in all circumstances, look for another consolidation lender.

Look for the services that are important to you – Ask, “Do you offer a fast and convenient application process, as well as online account access and automatic payment options?”

Be sure the lender you select has a quick and reliable application process. In many cases, an online application process with electronic signature capability is the fastest, most convenient way to apply. Additionally, 24/7 account access and automatic payment capabilities will help keep you current on your payments.

FINAL TIP – Don't be swayed by flashy advertising and incentives that seem too good to be true.

A good consumer carefully evaluates all offers and researches the options. An offer that looks too good to be true usually is!

If a loan consolidator is unable or unwilling to answer these questions to your satisfaction, then you should continue to search for a reputable, trusted lender. Financial aid professionals recommend that borrowers get all the facts before consolidating.

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