MAKING THE DECISION

Deciding to refinance some or all of your education loans is a big decision and requires careful consideration. The following resource was designed to provide you with several important factors you will want to consider when making the decision to refinance your education loans. It's up to you to weigh the pros and cons and to decide whether refinancing is the right decision for you and your financial situation.

EDUCATION LOAN BENEFITS AND INCENTIVES

Your private and federal education loans may have come with benefits and incentives that may or may not apply to you. It is important that you understand the benefits and incentives your loans came with, if any. These benefits and protections do not transfer to your new refinanced loan. As part of the refinance loan application process, you will be presented with a summary of the benefits you may lose, along with any new benefits your refinance loan may come with. It is important that you carefully consider the long term financial impact that refinancing will have over time, particularly as it relates to the loss of certain repayment benefits.

If you have federal loans, there are a number of benefits that will not be available with your new refinanced loan. The federal loan program offers a variety of loan repayment options that can be selected based on your financial situation. Did you know that there is a repayment plan that allows you to pay based on your own income? Depending on your income, your monthly payment could be significantly reduced. To see a full list of payment plan options for your federal loans you can go to https://studentaid.ed.gov/sa/repay-loans/understand/plans.

Ever find yourself in a bind where you don't think you can make your monthly payment and dread the idea of going into default? The federal loan program offers many options during financial hardship. You may have the option of deferring or applying for forbearance which will allow you to postpone your monthly payments for a certain amount of time. This feature may no longer be applicable with your refinanced loan if you choose to include your federal loans. To learn more about deferment and forbearance you can go to https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance or call your loan servicer for further details.

Did you know that there may be tax benefits on your federal loans? Qualified borrowers of educational loans may have the opportunity to deduct up to $2500 of interest on their federal tax returns. Even if you don't plan on filing taxes due to your income level, you should be sure to do so! You might miss out on the opportunity of getting some extra cash for the year. To review all of the IRS outlined Tax Benefits for Education please visit https://www.irs.gov/publications/p970/.

Under special circumstances the federal government may forgive some or all of your educational loans. If you are a teacher or you get a job at a government or not-for-profit organization you may be eligible for loan forgiveness. Refinancing your federal loans will eliminate any loan forgiveness options. For more information about loan forgiveness go to https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation.

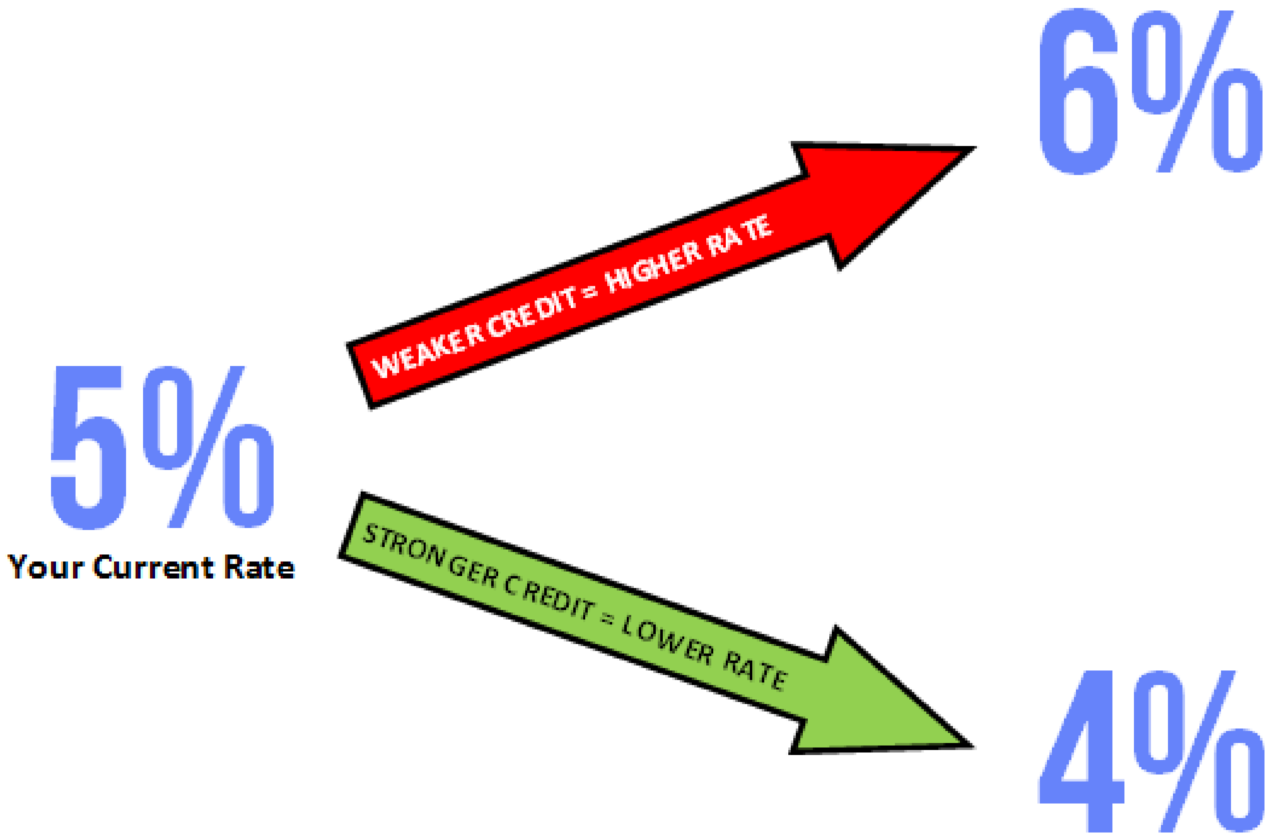
There may also be some great incentives that came with your federal and private loans. For example, some loans offer an interest rate reduction for making on-time or automated payment. While some refinanced loans come with some great incentives as well, it's important to know that the old incentives will no longer be available to you. We strongly encourage you to contact your servicer(s) for your current loans to inquire about any possible incentives or repayment benefits. It's up to you to thoroughly research and understand any benefits or incentives you will be losing and gaining through the refinancing process.

CREDIT WORTHINESS AND REFINANCING

It is important to understand that the interest rate and fees that come with your new refinanced loan will be based on your credit history. That is why we stress the importance of knowing your credit score. Should you find that your credit rating is weaker than you thought, the interest rate you qualify for may end up being higher than what you currently have. This would also mean that your monthly payment could be higher than it already is. If your goal is to have a lower monthly payment and a lower interest rate, this may not be an option for you.

If you have a strong credit rating then refinancing might be a good option for you. For example, let's say the current interest rate on your loans is at 5% and the potential interest rate for the new refinanced loan ranges between 4-6%. With a stronger credit rating you could be eligible for the lower rate of 4%. If you have a weaker credit rating, your interest rate may increase with loan refinancing.

Remember, you can access a free credit report at www.annualcreditreport.com.



REFINANCING TO LOWER PAYMENTS

One of the most enticing reasons to refinance is to lower the amount you pay each month. While this may be helpful during a financial hardship, reducing your monthly payment may extend the life of the loan which means in the long run you will be paying more money in interest. You must carefully balance the short term benefits of a reduced monthly payment amount with the longer term implications of paying more in finance charges over the life of your loan.

Let's say you have five years left to pay on your loans and you have a high monthly payment. By extending your loan from five to ten years, your monthly payment may drop, but because you have extended the term, you will pay more interest and will likely spend more money in the end.

Example Current Total Owed	$30,254	
Example Current Interest Rate	5%	
Time Until Paid Off	5 YEARS	10 YEARS
Monthly Payment	$571	$321
Total Once Paid Off	$34,260	$38,520
Savings of Lower Monthly Payment	$250	
Cost of Additional Five Years to Pay	$4,260	

Keep in mind that extending the term of the loan is not ALWAYS a bad thing if the lower payment is needed for your current financial situation.

For example, you may be approaching a large financial milestone such as trying to qualify for your first mortgage, starting a business, or saving for retirement; and your current education loan payment makes your monthly debt load too high. This might be a good reason to accept a longer term with a lower monthly payment. Since there are no pre-payment penalties, if your financial situation improves, you will be able to pay these loans off quicker and avoid some of that interest.

As mentioned before, if you have federal loans, they come with a number of repayment options that could help you in your financial situation. If you were a federal education loan borrower, and are thinking of including them into your new refinance loan, you will want to evaluate the federal loan monthly repayment options before proceeding.

If you already have a low payment with your federal loans, refinancing might actually increase your monthly loan payment. For most people looking to refinance their loans, having just one monthly education loan payment can be enticing. Refinancing both your federal and private loans would allow for one monthly payment instead of paying multiple lenders each month. As enticing as having one payment might be, you should consider all of the options we just discussed, such as:

- ⇒ Leaving your loans where they are
- ⇒ Combining your federal and your private loans together into one loan
- ⇒ Refinancing only your private loans

Even though we have gone through all of the important factors to weigh when deciding to refinance your education loans, it is ultimately up to you to better assess whether refinancing is right for you.