

# Is Refinancing Right for Me? The Ins and Outs

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# Discussion Topics

- Is refinancing right for you?
- Take stock – what type of student loans do you have?
- Refinancing options – how do you choose?
- Borrower requirements – are you eligible?
- Real life examples



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# Is Refinancing Right for Me?

- What is your main objective?
- What type of student loans do you have?
- What is a manageable monthly payment?
- Did you graduate from college?
- Planning to continue your education?

studentaid.gov

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

# Take Stock – Federal or Private Student Loans

- **Federal Student Loans**
  - Studentaid.gov
  - National Student Loan Data System (NSLDS)
  - <https://nslds.ed.gov/nslds/>
- **Important Information**
  - Current balance and repayment term
  - Interest rate
  - Subsidized or unsubsidized
  - Monthly payment
  - Servicer contact information
- **Benefits –**
  - Extra deferment (subsidized loans may not accrue interest)
  - Loan discharge for death and disability
  - Forgiveness programs
  - Repayment options including income based
  - Consolidation and refinance options available
  - Default rehabilitation

AnnualCreditReport.com

The only source for your free credit reports. Authorized by Federal law.

# Take Stock – Federal or Private Student Loans

- **Private Student Loans**
  - University's financial aid office
  - annualcreditreport.com
  - Experian – Equifax – Trans Union
- **Important Information**
  - Current balance and repayment term
  - Interest rate
  - Monthly payment
  - Servicer contact information
- **Benefits**
  - Varies by lender
  - Co-signer release option
  - Interest reduction for automatic payments
  - Forbearance options
  - Refinance options available

College  
Financial  
Aid



# Options – How do You Choose?

## Student Loan Refinance

- Federal and private student loans
  - Borrowers select lender
  - Student borrower option
    - Federal student and parent PLUS loans
    - Private student loans
  - Parent borrower options
    - Federal parent PLUS loans

## Federal Direct Loan Consolidation

- Federal student loans only
  - [studentaid.gov](http://studentaid.gov)
  - Borrower options
    - Student borrowers consolidate their loans
    - Parent borrowers consolidate their loans



# Options – How do You Choose?

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## Federal Consolidation

- Lender – US Dept of Education
- Visit [studentaid.gov](http://studentaid.gov)
- Interest rate – weighted average
- 10-30 year repayment term
- Flexible repayment options
- Federal loans only
- May qualify for education tax benefit

## Refinance

- Lender – Credit Unions or financial institution
- Visit lenders website for details and application
- Interest rate – fixed or variable
- 5-25 year repayment term (lender specific)
- Federal and private student loans
- Borrowers may include parent PLUS loans
- May qualify for education tax benefit

[IRS Education Tax Benefits](#)

## Borrower Requirements and Eligibility

- College graduate?
- Established credit history?
- Positive credit history?
- Employment history?
- Steady income?





# Example...

Borrower and parents had \$94,847 in federal student loans with interest rates between 6.8% - 7.9%. Loans included three direct loans and two parent PLUS loans. Borrowers had been in repayment two years and had eight years left until maturity. Borrowers main objectives were to lower interest rate, lower term and to remove parents responsibility for the parent PLUS loans.

**A.** Current -10 year repayment plan with 8 years remaining

|                        |                 |
|------------------------|-----------------|
| <b>Monthly Payment</b> | <b>\$1311</b>   |
| <b>Total Interest</b>  | <b>\$30,998</b> |

**B.** New - Refinanced for 5 years at 3.45% variable interest rate

|                        |               |
|------------------------|---------------|
| <b>Monthly Payment</b> | <b>\$1723</b> |
| <b>Total Interest</b>  | <b>\$8552</b> |

**Savings**  
**\$22,446**

# Example...

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- Borrower had \$29,254 in federal subsidized and unsubsidized student loans with interest rates between 3.6% - 6.125% and \$25,690 in private loans with interest rates between 3.5% - 4.72%. Borrower had just entered repayment. Borrower is planning to return to graduate school in one year. Did not refinance. Why?
- Federal loans may be deferred when they enter graduate school
- If payment is deferred in graduate school, government will pay interest on subsidized loans
- Private lender will allow two years of deferment during graduate school
- Private loan interest rates are competitive and fixed with a comfortable monthly payment

# Example...

Borrower had \$32,445 in federal student loans with interest rates 3.6% - 6.125% and \$35,282 in private loans with interest rates 8.25% – 10.5%. Borrower had just entered repayment. Main goals were to lower monthly payments and lower interest rates.

**A.** Current - Federal loan 10 year repayment plan (level)

|                 |        |
|-----------------|--------|
| Monthly Payment | \$344  |
| Total Interest  | \$8851 |

**B.** New - Federal consolidation loan 20 year repayment plan

|                 |          |
|-----------------|----------|
| Monthly Payment | \$213    |
| Total Interest  | \$18,730 |

**C.** Current - Private loan 18 repayment plan

|                 |          |
|-----------------|----------|
| Monthly Payment | \$342    |
| Total Interest  | \$38,595 |

**D.** New - Refinanced for 15 years at 6.25%

|                 |          |
|-----------------|----------|
| Monthly Payment | \$302    |
| Total Interest  | \$19,171 |

Savings **\$9545**

Monthly payment lowered by \$171  
(\$515 vs \$686)



Thank you for attending!!

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**Please contact us with any additional questions:**  
[scholarhelp@studentchoice.org](mailto:scholarhelp@studentchoice.org)

<http://www.studentchoice.org/college-access-counselor>