

## Lower Your Private Student Loan Rates

*You probably won't find super-low rates, but it pays to check out what's available. Plus, when your job helps you earn student-loan forgiveness.*

By Janet Bodnar

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*I've been out of school for six years and have several private loans that I'm still paying off. They have rather high interest rates of 7.5% to 9.5%, which are variable. Any suggestions on how to lower these rates?*

You may not be able to get a better deal, but it's worth a try.

Private student loans don't qualify for the federal loan-consolidation program, which offers the most attractive interest rates. Although private loans may be consolidated, rates are generally higher and variable, based on a benchmark such as the prime rate, currently 8.25%, or the three-month LIBOR rate, currently 5.36%.

Depending on the lender and your credit rating, you might qualify for a rate as low as prime plus 0% or as high as prime plus 9% or more (ask if the margin can change over the term of the loan). Many lenders also charge a fee of 1% to 10%, which is added to the principal.

For top-rated borrowers, one lender was recently advertising a variable rate of LIBOR plus 1.8%, with no fees. The fixed rate was 2.01 percentage points higher. So it pays to check out what's available.

Even if you can't cut your rate significantly, consolidating private loans offers the convenience of writing a single check. And stretching out the term of the new loan lowers your monthly payments (although you'll pay more in interest over time).

Just make sure that there's no prepayment penalty if you want to pay ahead on your loan as your income rises. For an overview of loan-consolidation terms offered by a number of private lenders, start at [www.finaid.org](http://www.finaid.org).

### When your loans can be forgiven

*I am working in the special-education department in a low-income school district. Does this make me eligible to have my federal Stafford loans forgiven?*

Your job may qualify you to have up to \$17,500 of your Stafford loans forgiven.

But before any portion of the loans can be written off, you must meet certain certification criteria and

teach for five consecutive years in a low-income school (call 800-433-3243 or see "cancellation/deferment options for teachers" at [www.studentaid.ed.gov](http://www.studentaid.ed.gov)).

Other public-service jobs also qualify for student-loan forgiveness (see [Shrink Your Loans](#)), and some occupations use it as a recruiting tool (see [www.finaid.org](http://www.finaid.org)).

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