Should I refinance my federal student loan into a private student loan with a lower rate?

Answer:

You should weigh the benefits and risks of refinancing your federal student loan into a private student loan with a lower rate, because changing from a federal to a private student loan eliminates some protections and benefits.

If you are looking to lower your interest rate, lower your monthly payment by extending the repayment term, or seeking to release a co-signer from your student loan, some borrowers in repayment with excellent credit may be able to refinance their existing federal student loans under a new private loan with a lower interest rate. Borrowers considering this option should also be aware of the risks:

- **Look closely if you are switching from a fixed rate loan to a variable rate loan.** Interest rates for most federal loans have fixed rates, which means that you never have to worry about your interest rate and monthly payment going up if interest rates rise in the future. If you switch to a variable rate loan, your interest rate could rise above the original fixed rate over time, and your payment could go up.

- **You will probably lose certain benefits if you refinance.** Borrowers working in public service or as teachers in certain low-income schools may be able to get loan forgiveness for certain federal loans. If you refinance your federal loan with a new private student loan, you will no longer be eligible to participate in these federal loan forgiveness programs. You may also lose the protection of loan discharge or forgiveness in the case of death or permanent disability, which you get with federal student loans. Not all private loans offer loan discharge benefits or forgiveness in the case of death or permanent disability. Active-duty servicemembers might also lose benefits on pre-service obligations if they refinance.

- **You will no longer qualify for certain repayment programs or plans.** Federal student loans provide options for borrowers who run into trouble, including income-driven repayment (IDR). If you consolidate with a private lender, you will lose your rights under the federal student loan program, including deferment, forbearance, cancellation, and affordable repayment options.

If you have a secure job, emergency savings, strong credit, are unlikely to benefit from forgiveness options, then refinancing into a private student loan _may_ be a choice worth considering.
Warning:

Just remember that, under current law, once you refinance your federal loans into a private loan, you can’t turn your loans back into federal student loans or get any of the benefits of the federal student loan program.