

# How to Refinance Your Student Loans in 6 Steps

By comparing various rates and terms, you can find the best refinancing lender for your situation.

When you refinance your student loans, you take out a new loan to pay off your existing education debt. Ideally, your new loan will have a lower interest rate, better loan term, or some other benefit. Depending on your existing debts, refinancing can help you save money on interest, lower your monthly payment, or simplify your finances by combining several loans into one.

Before you refinance, however, you'll need to compare lenders and determine which debts you want to include in the process. Here's how to refinance student loans and what factors to consider before submitting an application.

## 1. Make sure refinancing is right for you

Refinancing your student loans is a useful option in many situations, but it's not right for everyone. First, determine your goals: Do you hope to save money with a better interest rate, lower your monthly payment, or simply switch loan servicers? Setting your intentions upfront can help you choose the right lender later.

You should also consider which debts you plan to refinance. If you only have private student loans, you don't risk much by refinancing. But if you plan to [refinance federal student loans](#), you'll have some trade-offs to make.

Federal loans come with special protections that private lenders generally can't match. For example, federal borrowers can access income-driven repayment plans, forgiveness programs, and more flexible deferment or forbearance options. By refinancing, you turn your federal loans into a form

of private debt, and you'll permanently lose access to these perks.

## 2. Research lenders

Some refinancing lenders are better for certain life situations than others. Since not all lenders provide the same benefits, compare what each offers and which best fits your needs. Consider the following factors:

- **Interest rate:** While the interest rate you qualify for mostly depends on your credit score, each lender calculates your rate differently. You typically want to look for the lender that offers the lowest rate as well as the best terms and monthly payment for your situation.
- **Fixed vs. variable rate:** Many lenders allow you to choose between [fixed and variable interest rates](#). Fixed rates never change over the life of your loan, while variable rates can fluctuate based on economic conditions.
- **Repayment terms:** Your loan's term is how long you have to repay your debt. If you want to [pay off your student loans fast](#), consider a shorter loan term. However, if you need more room in your budget and want to lower your monthly payment, a longer loan term may work better. Just keep in mind that the longer the repayment term, the more you'll end up paying in interest over time.
- **Monthly payment:** Look at the estimated monthly payments for your new loan. If this number doesn't fit into your budget, look for a different term or interest rate to lower it.
- **Fees:** It's generally wise to prioritize lenders that offer low or no fees, and most lenders allow you to refinance for free.
- **Eligibility requirements:** Eligibility varies by lender, so be on the lookout for which best suits your needs. For example, if you don't have stellar credit, you might want to [add a cosigner](#). Or maybe you didn't graduate — in that case, you can prioritize [lenders that don't require a degree](#) to refinance.

### 3. Prequalify, if possible

Many lenders — but not all — allow you to prequalify for a loan. Doing so allows you to see estimated, personalized rates and terms that you may qualify for. This can help you more accurately compare lender offers. To prequalify with a lender, simply visit their site and input a few pieces of personal information.

You can also [compare refinancing lenders](#) by using a marketplace like Credible.

Advertiser Disclosure

\$5,000 up to the full balance

\$10,000 up to total refinance amount

\$10,000 up to the total amount

### 4. Choose the best offer

Some lenders offer perks such as rate discounts, referral bonuses, or temporarily pausing payments if you lose your job. Others have cosigner options available — including ways to [release your cosigner](#) later. Consider each lender's benefits as you review your choices.

Since not all lenders have the same offerings or qualifying factors, the right lender depends on your financial situation. For instance:

- **If you can afford a larger monthly payment**, consider refinancing to a shorter repayment term. This strategy can lead to the greatest savings because you'll pay off your student loans faster. Not only that, but most lenders offer better interest rates on shorter loan terms.
- **If you want to lower your monthly payment**, consider extending your loan term. You likely won't qualify for the lowest interest rate, and your

total repayment costs may increase. But your payment will be more affordable — you can always pay more than required anytime you can afford it.

## **5. Submit your application**

Once you've chosen a lender, submit an application. You'll typically need to provide personal information, proof of income, and details about your current student loans.

When you submit a full application, the lender will conduct a hard credit check (which can impact your credit score), verify your documents, analyze your debt-to-income ratio, and more.

Once this is done, the lender determines whether to approve your loan and at what rate. If you still like what you see, sign the final loan paperwork.

## **6. Stay current on your loans**

Once you've finalized your refinanced loan, you're still obligated to make payments on your existing debt until you've received confirmation otherwise. If you don't, missed or late payments can cause your credit score to drop, hurting your chances of borrowing money in the future.

Your new lender will work with your old one to pay off your existing debt. The exact timeline of this varies, so make sure you keep paying your current lender until your new one confirms the completed transaction. Your new lender will set a date for when your monthly payment is due.

[Compare Rates Now](#)

Meet the expert:

Dori Zinn

Dori Zinn is a personal finance journalist with over 10 years of experience. Her work has been featured by Huffington Post, USA Today, Wirecutter, Bankrate, and CBS News.