

Millennial Money: Is student loan refinancing right for you?

By Sean Pyles
NerdWallet

Glossy mailers promising low rates and cleverly crafted ads on your favorite podcast might leave you wondering: Should you refinance your student loans?

With over \$1.6 trillion in student loan debt in America as of March 2019, student loan refinance companies have an incentive to entice you. And a lower payment sounds alluring. But is refinancing the right move for you?

DIG INTO YOUR FINANCES

Before you make a big change to your money management, such as refinancing your student loans, fully understand your overall financial picture, says Barbara Thomas, executive vice president at SouthEast Bank. This will ensure you're coming from an informed place so you can make the best decision for your situation.

The more solid your footing — you're paying all bills on time, putting away savings and still have cash left at the end of the month

— the more likely it is you could qualify for a refinance and handle any financial changes it brings, Thomas says.

"Make sure you've done all the reconnaissance work in terms of what your obligations are, what your credit scores are, and make sure you understand your financial outlook," she says.

Start with a simple monthly budget, like the 50/30/20 approach that allocates 50% of income to needs like housing, 30% to wants, and 20% to debt payments and savings. Then list your student loans, noting balance, annual percentage rate and loan term.

Check your credit and correct any errors on your credit reports.

LOOK AT YOUR LOAN TYPE

Next, turn your attention to your loans themselves: Are they federal or private?

Federal loans carry options and protections — such as income-driven repayment plans and loan deferment — that you lose if you refinance them into private loans.

"Almost nobody should refi their federal loans," says Betsy Mayotte, founder of The Institute for Student Loan Advisors, an organization offering free student loan guidance.

"The only people who I recommend doing that are those who have a very strong emergency fund, there are multiple income generators in the household, and their payment is really affordable to begin with," Mayotte says.

DEFINE YOUR GOALS

Finally, ask what you want out of a refinance.

"A lot of borrowers are looking to pay off their loans faster," Thomas says. "Their monthly payments may go up, though. Then some borrowers are looking to lower their monthly payment overall by lowering APR and extending their loan term."

If you want a lower payment, make sure you look at the overall financial implications. A higher APR, longer loan term or both mean you'll end up paying more in

the long run.

Here's how that breaks down: Say your current balance is \$30,000, with a 7% APR and 10 year term. If you get a refi deal with a 5% APR and kick out the loan term to 15 years, you'll save \$111 a month — but will pay about \$900 in additional interest.

If you're looking into refinancing because you're paying off federal loans, you have other options such as income-driven repayment plans and extended repayment plans. Those can make monthly payments more manageable, but again you'll pay more in the long run due to a longer loan term.

MAKE YOURSELF LOOK GOOD TO LENDERS

So you've done your homework and determined that refinancing might be a good option for you. Before you apply, make yourself look even better to lenders.

Thomas says the lowest credit scores lenders will accept for a refi deal will be around 640 to 680. But you'll likely get the best deals with

a score of 720 or higher. And lenders may want to see two years of on-time payments on your existing loans.

If needed, spend some time building your credit and extending your record of on-time payments. And hedge expectations created by the glossy mailers. "Unless you're the cream of the crop, the advertised rate is probably not the deal you're going to get," Mayotte says.

RESEARCH REFINANCING OFFERS

Mayotte recommends calling your current lender and seeing the best deal it can offer — it likely doesn't want to lose you from its portfolio. Next, check out what other offers you can pre-qualify for.

Compare all options to see which will make your goal easiest to achieve, within your budget. If you want to lower your payment, consider how much more you'll pay in interest. Or if you're in a rush to pay off loans, make sure you can manage the higher monthly payment.

HAPPENINGS

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topics regional water experts and attorneys cover at Dunn Carney's annual Eastern Oregon Ag Summit.

The event is scheduled from 7:30 a.m. to 12:30 p.m. Tuesday, Oct. 15, at the Maxwell Event Center, 145 N 1st Place, Hermiston.

The free, half-day conference will feature a range of speakers focusing on state and regional water, labor and intellectual property laws and issues in agriculture. Tom Myrum, executive director of the Washington State Water Resources Association, will provide an update on the Columbia River Treaty Negotiations.

Dunn Carney's Eastern Oregon Ag Summit includes

panel discussions and presentations by industry leaders from around the region, as well as lawyers from law firm Dunn Carney's Agriculture and Natural Resources Team.

"This is a unique opportunity for farmers, ranchers and processors in the region to hear directly from industry and organization leaders who have a seat at the table in dealing with issues that affect them," says Kate Moore, leader of Dunn Carney's environmental practice and chair of the firm's Eastern Oregon Ag Summit. "We want attendees to ask questions and talk with each other and with us."

A complimentary continental breakfast and lunch are included. To register for the event, visit dunncarney.com/EOAgSummit19.

SAIF

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Barnett said. "We appreciate our policyholders' efforts to ensure their workers go home safely at the end of each day."

SAIF determines whether a policyholder dividend is appropriate based on capital levels, claim trends, and the overall economic environment. This year SAIF has seen strong investment returns and favorable trends in injury prevention and claim cost containment.

The safety performance dividend rewards policyholders for their claims experience for policies whose annual term ended in 2018, based on a scale ranging from zero to 10.6% of their standard premium.

More than 48,500 policyholders are eligible for SAIF's primary dividend. Of those, about 93.9% are also eligible to receive all or a portion of the additional safety performance dividend.

"In addition to dividends, we are proud to offer our customers some of the

lowest rates, best-in-class service, and the largest network of workplace safety professionals of any insurance carrier in Oregon," said Barnett. "Our goal is to deliver workers' comp that really works."

Checks will be mailed in October to eligible employers.

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