

Choosing a Private Loan

If you and your cosigner have determined you need a private student loan to meet the costs of college, how do you choose the best option for you? With interest rates expected to start increasing from record lows, it's important to understand all your options and what those mean before accepting a loan. Answer these questions with your cosigner to identify which loans meet your criteria.

Ask yourself and consider...

1. Do you want a fixed-rate or variable-rate loan?

- ▶ Fixed rates are a set rate for the life of the loan. This helps to ensure payment amounts do not change dramatically.
- ▶ Variable rates can change up and down throughout the life of the loan. This could cause payments to also increase and decrease.

2. At what point in the process do you want to know the interest rate?

- ▶ Some lenders only provide a range of rates while others provide specific details upfront.
- ▶ If you are not satisfied with the interest rate offered, you **can** decline the loan and reapply with a different lender.

3. Are you and/or your cosigner willing to make required monthly payments while you're enrolled in school?

- ▶ Making payments that at least cover interest while in school can prevent your loan balance from increasing due to capitalization of interest.
- ▶ Postponing payments can provide more flexibility in your budget but means interest will accrue while in school. Most lenders allow payments of any amount without penalty at any time to help reduce interest that accrues.

4. What borrower benefits are important to you and your cosigner?

- ▶ Borrower benefits are not automatic and must be earned.
- ▶ Make sure you understand the eligibility requirements for any benefits that are offered.

Select your preference...

- Fixed interest rate
- Variable interest rate

- Before applying
- After your loan is approved

- Yes, you and/or your cosigner will make required payments (set amount, interest only, or principal and interest) while you're in school
- No, you and/or your cosigner prefer that repayment is deferred until after you graduate or leave school

- Cosigner release (The ability to release the cosigner from his or her obligations during repayment.)
- Interest rate reduction
- Principal amount reduction

You're unique. Your loan choice should be too.

Once you know what you prefer when it comes to supplemental private student loan options, it's important to research lenders to see which offer loans that fit your preferences and find the loan that is best for you.

