

Choosing a Private Loan

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

Ask yourself and consider...

1. Who will take out the loan?

- ▶ Students can typically borrow private funds after exhausting federal student loan options but often need a creditworthy cosigner to qualify or receive lower rates.
- ▶ Parents, family members or others can borrow on behalf of a student to help reduce the amount of debt the student will owe after college.

2. Do you think you will be more comfortable with a fixed-rate or variable-rate loan?

- ▶ Fixed rates are set for the life of the loan. This helps to ensure payment amounts remain consistent.
- ▶ Variable rates can change throughout the life of the loan. This could cause monthly payments to increase and decrease.

3. 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.

4. Will you (or a cosigner) make required monthly payments during college?

- ▶ Making payments that at least cover interest can prevent the 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.

5. What borrower benefits are important?

- ▶ 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...

- Student
- Parent or other family member

- Fixed interest rate
- Variable interest rate

- Before applying
- After your loan is approved

- Yes, I (or a cosigner) will make required payments (set amount, interest only, or principal and interest) during college
- No, I prefer to defer repayment until after college

- Cosigner release (the ability to release the cosigner from repayment obligations)
- 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 loan options, it's important to research lenders to see which offer loans that fit the preferences you checked above and find the loan that is best for you.

