

## Private Loans: get answers



A college education is more important than ever today, yet paying for one can be a challenge for many students and their families.

Private loans can help you pay college expenses that may not be covered by federal loan programs or other financial aid. These loans are one way to provide additional funds to close the gap between your financial aid resources and college costs.

Although you do not need to apply for federal, state or school financial aid before applying for a private loan, you should. Private loans typically carry higher interest rates and fees than federal loans. In addition, many private loans have features and benefits similar to federal Stafford loans for students and federal PLUS loans for parents.

Private loans are offered by a variety of lenders and carry a range of terms, conditions and benefits.

Here is a list of questions to ask when looking for a private loan.

	LENDER'S NAME	LENDER'S NAME	LENDER'S NAME
<p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>▶ What are the minimum and maximum loan amounts offered per year and cumulatively?</li>   <li>▶ Is the amount you are eligible to borrow tied to school costs and other financial aid received?</li>   <li>▶ What is the approximate time it takes to obtain a decision for loan approval?</li>   <li>▶ Are there any minimum enrollment requirements? If so, what are they?</li>   <li>▶ Are there any satisfactory academic progress requirements? If so, what are they?</li>   <li>Because private loans are often based on credit, you should also ask:</li>   <li>▶ What are the credit criteria for loan approval? Do they include a debt-to-income ratio or other income requirements?</li>   <li>▶ What is considered "poor credit"? Is no credit considered "poor credit"?</li>   <li>▶ What steps will the lender take to help qualify borrowers with "poor credit"?</li>   <li>▶ Are co-signers an option or a requirement? Under what conditions are they required?</li>   <li>▶ Is there an option to release the co-signer at a later date? If so, what are the conditions?</li> </ul>			





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<p><b>Interest rate and fees</b></p> <ul style="list-style-type: none"> <li>▶ What is the interest rate? What is it based on (i.e., Prime, T-Bill, etc.)?</li>   <li>▶ Is the interest rate fixed or variable? If variable, how frequently can the rate change?</li>   <li>▶ Is there a maximum amount the interest rate can increase with each change?</li>   <li>▶ Is the loan adjusted based on a rate change? For example, will interest be capitalized (added to the principal) or will the repayment term or amount be adjusted?</li>   <li>▶ Is there a maximum interest rate, or cap?</li>   <li>▶ Is the rate offered for a limited time only? For example, is it an introductory rate? What happens after the initial rate ends?</li>   <li>▶ What fees are charged? When and how are fees paid?</li>   <li>▶ What is the total cost of the loan over the life of the loan? Ask the lender to help you calculate the total payback of the loan, including all interest costs and fees on top of the amount you actually borrow.</li> </ul>			
<p><b>NOTE:</b> You should consider any fees for your private loan separately from any fees associated with the federal loans you may already have or be applying for at the same time.</p>			



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