

Are Private Student Loans Right For You?

Thinking about college? It may feel overwhelming, but it's important to spend time to understand the full cost of your future degree and develop a plan for how you'll pay for it.

Like a mortgage or credit card balance, student loans are a commitment and must be paid in the future – regardless of whether you graduate from school or not. So, it's important to be a smart consumer now, before committing to any loan.

Research each school you are considering and calculate the total cost of your intended degree from each school. Take time to review the grant and federal loan options outlined in your financial award letters and take advantage of those funding sources first. Then, if private loans are needed to cover the remaining cost of your degree, research private loan options. Be sure to think through what loan repayment will look like in the future, so you don't overborrow.

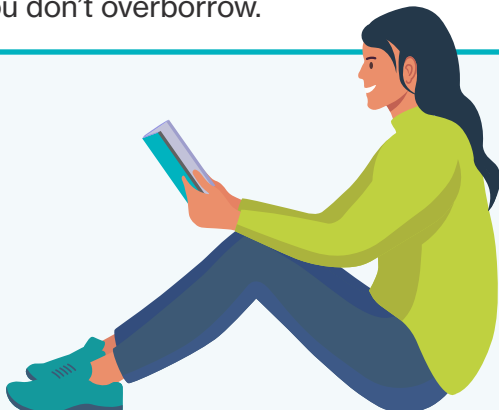
Private Student Loan Questions & Answers:

What is a private student loan?

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How do interest rates on private student loans work?

Private student loans will offer either a variable or fixed interest rate based on current economic conditions. The rate offered will also be determined by the borrower's (and/or co-signer's) credit worthiness – a better financial history will qualify you for a lower interest rate. With very good credit, you may qualify for a private student loan with an interest rate lower than the fixed federal interest rate. Be sure to understand all of the details of your loan before you borrow. For example, private student loan interest begins accruing from day one of the loan, but in some cases, you may be able to defer payments while you're attending school.



Private Student Loan Questions & Answers:

Do private student loans offer loan forgiveness or income-driven repayment?

Most private student loans offer financial hardship options like deferment or forbearance. Only federal student loans offer income-based repayment plans or loan forgiveness because they are heavily subsidized by taxpayers and the federal government.

Where do I start when investigating private loan options?

Start with the financial aid offices of the colleges you are considering – they may have suggestions, financial aid counselors or a list of lenders used by other students at the school to help get you started. As always, take advantage of grants and federal loan options offered in your financial aid award letter first. And, if you need additional funds, make a chart comparing what each private lender has to offer in terms of fees, interest rates, and the details of repayment. Make sure to read all of the terms and conditions. Add these details into your comparison chart to help you identify the similarities and differences between different private student loans to inform your decision.

How much can I borrow when taking out a private student loan?

Private student loans do not have the same fixed borrowing limits as federal student loans because their limits are based on the individual borrowers' situation. However, typically lenders will lend no more than the cost to attend your college, minus the financial aid you receive. Each lender will have their own limits to the amount of total debt you can take on. As a result, it's important that you research the value of the school you choose and calculate the total you will need to repay upon graduation. For many, attending a better value school and graduating with less debt will set a student up for a more manageable financial future.

