

# Thinking About A Private Loan?



Private education loans are often used to close the gap between education costs and the amount of federal assistance you have received. Private lenders offer these loans; eligibility is based on your credit score. The interest rate will be variable and there is no cap. Applying for a private loan with a co-signer may help you qualify for better terms.

Private loans are generally more costly and have fewer benefits than federal loans, although they can be a better alternative to using credit cards for education costs. Most private loans offer deferred payments until you leave school and often have flexible repayment options.

Be sure to understand the full impact a private loan will have on your financial aid package and your budget. Some lenders offer private loans in excess of the cost of attendance. Taking such a large loan may reduce your eligibility for federal aid.

Consider alternatives to borrowing a private loan. Use savings, a part-time job, a loan from a family member, a home equity loan, or simply take steps to reduce the cost of attending school.

If you're choosing a private loan and are faced with a few options, determine which loan is the best deal for you. If you plan to pay the private loan off over the usual 10 years, choosing a loan based on a lower interest rate rather than low up-front fees will generally be less expensive. Before accepting a loan, be sure to review all terms and conditions. If you are unsure of the true cost of borrowing, or the effects on other aid, ask your financial aid office.

**Borrow only what you need.**

**EdWise<sup>®</sup>, the student loan calculator, can help.**

**Go to [www.edfund.org/EdWise](http://www.edfund.org/EdWise).**

**And check out federal student loans first!**



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If you've reached the maximum amount you qualify for in federally guaranteed student loans, you may be considering a private loan to continue your education. Ask prospective lenders these questions to help ensure you make the best choice.

1. **Interest Rate**

How much is it? Fixed or variable? When does interest capitalize and how often?

2. **Loan Amount**

Is there a maximum? Can I borrow more than the cost of my education? Can I use the loan to pay off a prior year's balance owed to my school?

3. **Co-signers**

Is a co-signer required? Is there a co-signer release process? Will having a co-signer lower the interest rate?

4. **Fees**

Is there an application fee? Are there any disbursement fees? Are there any repayment fees?

5. **Disbursement**

Is the loan check payable to me or to my school? How long does it take to receive funds?

6. **Borrower Benefits**

Are there interest rate reductions that reward me for on-time payments or other actions?

7. **Repayment**

What will my minimum payment be? When does payment begin? How long is the repayment period? Is there a prepayment penalty?

8. **Billing**

Will I get one bill for all of my private loans? Can private loan bills be combined with federal loan bills?

9. **Customer Service**

Whom do I call with questions about the application? Is that the number I'll call once I'm making payments?

10. **Deferments**

Will payments be deferred while I'm in school? If so, will interest continue to accrue?

for more information about financial aid and debt management,  
visit [www.edfund.org](http://www.edfund.org)



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