

# Private Student Loans

## A Guide to Responsible Borrowing



### Research

#### Explore Your Options

Private student loans are consumer loans made to individuals to help pay for college. They are provided by for-profit and nonprofit lending organizations and are not backed by the federal government. Private student loans are designed to supplement, not replace, other financial aid sources to fill funding gaps. Only borrow what is needed to cover your educational expenses.

Work with the financial aid office at your school to look into sources of federal, state and/or school aid prior to getting a private student loan. If you have already done this and are still unable to cover your expenses, a private student loan may be a good option. Generally, they are less expensive than unsecured consumer credit (such as credit cards). If you require a private student loan, do not wait until your tuition bill is due to apply for one, because you may receive less favorable terms and conditions.

Most programs allow borrowers to delay payments during school and offer hardship deferments during repayment. These options often increase the total amount you will pay, because interest charges will accrue during deferment periods. Some private student loans require a cosigner (a person who promises to become legally responsible to pay your debt if you fail to do so). If you are considering a variable or LIBOR rate loan, understand that rate changes may not be in your favor and could result in an increased monthly payment.

Read all material provided to you by your lender, and ask about things you do not understand. Most private student loans are made by responsible lenders—and all are regulated by consumer credit laws. Get to know your lender prior to borrowing, because your relationship with them will be a long-term one. Visit the Better Business Bureau at [www.bbb.org](http://www.bbb.org), ask your financial aid officer and talk to others who have worked with the lender so that you can make an informed decision.

### Remember

#### Understand Your Obligation

You must repay your student loans—even if you do not graduate or get a job in your chosen field. Failure to make scheduled payments could lead to default, which would damage your credit rating and lead to other serious consequences.

Before you borrow a private student loan, think about whether you will be able to repay it. This loan will reduce what you can spend in the future on a car, home, furniture and other living expenses. Here are some things you can do while you are in college to help save money:

- **Identify needs versus wants and make your purchases accordingly.**
- **Make a realistic budget and stick to it.**
- **Take advantage of work-study opportunities or get a part-time job.**

#### Can You Afford a Private Student Loan?

Ask yourself whether a job in your chosen field will allow you to make your monthly payments on your student loans.

Use a student loan repayment calculator, such as the one at [www.mappingyourfuture.org](http://www.mappingyourfuture.org), to help you estimate the total amount of interest you will pay, what your monthly student loan payments will be, and how long it will take to repay your loans.