

PRIVATE EDUCATIONAL LOANS

A private educational loan is a payment option for students who have applied for all types of financial aid (grants, scholarships and federal student loans) and are looking to cover a remaining balance up to the cost of education. All other payment options should be considered prior to obtaining a Private Educational Loan. Private Educational Loans are made available by numerous lending institutions. The student, along with a credit-worthy co-signer, is the borrower for all Private loan programs.

The following are important tips to remember when preparing to apply for a Private Educational Loan:

BORROWER The student, along with a creditworthy co-signer if applicable.

LOAN FEES Check if the loan has origination, disbursement or repayment fees added to the principal of the loan. Keep in mind that these fees can drive up the overall price of the loan. Try to find a loan program with little or no fees associated with it.

**INTEREST RATE BASED
ON CREDIT CHECK** Because these loans are credit-based and not need-based, lenders will check with credit agencies to determine credit-worthiness of the borrower and co-signer. Your credit history is a summary of personal and employment information, inquiries into your credit history and any bankruptcies, lawsuits and liens. Your credit history can contain accounting of how well you pay your rent, utilities and loan payments, and how well you manage your bank accounts. Interest rates are determined by the borrower's individual credit rating and the credit rating of the co-signer, if applicable.

LOAN LIMITS **A student may borrow up to the difference between the cost of attendance and the financial aid award.** Find out if the loan program has an annual or aggregate limit. Also assess whether you can afford to borrow within these limits. Use a student loan repayment calculator to help you estimate your total interest, what your monthly payments will be, and how long it will take to repay your loans.

REPAYMENT Verify whether repayment begins immediately after you graduate/leave school, or if there is a grace period offered during which no payment is required.

Some lenders reward borrowers with repayment incentives. For example, check if after a number of consecutive monthly on-time payments you will receive an interest rate reduction or co-signer release option.

Consider making monthly interest payments while in school. If you do not, the interest will accrue and be added to the amount you borrowed, costing you more in the long run. If you choose not to pay the interest on your loan while you are in school, the interest may be capitalized (added to your principal balance). Find out when the interest is capitalized (annually, at repayment, etc.). If the interest is capitalized annually, the loan is more expensive than if it is capitalized only once at repayment.

CHOOSING A LOAN There are many Private Educational Loan programs available to you which have different program features. When selecting a Private Educational Loan, please be sure to carefully research all aspects of the loan program (i.e. loan fees, interest rates, repayment options, etc.). You may check out my.cedarcrest.edu or go directly to www.elmselect.com to view our Preferred Lender list for Private Educational Loans.