

# Private Educational Loan Lender List Selection Process

## Cedar Crest College Preferred Private Educational Loan Lender List Selection Process for 2023/2024

This guide is to provide information to Cedar Crest families about the method Cedar Crest College's Student Financial Services used to create the 2023-2024 Preferred Private Educational Loan Lender List.

### Why does Cedar Crest College provide a Private Educational Loan Lender List?

- Provides a comparison of selected lenders in relatively consistent terms, reducing confusion and assisting borrowers and their families in making the best-informed decisions.
- Provides an opportunity to help educate students and parents in regards to the student loan industry.

### Steps Taken in the Decision Process

- A Request for Information (RFI) was sent to those lenders most often chosen by Cedar Crest students with a list of questions regarding their products and services. These questions included the following topics:
  - Origination Fee - Grace Period
  - Standard Repayment Term - Extended Repayment Term
  - Current Interest Rate - Interest Rate Ceiling
  - Interest Rate Structure
- Cedar Crests' Student Financial Services Director and Associate Director then reviewed all the RFI's and compiled a list of all loan options, selecting those that best met our students' needs with the least cost.

### When is a private educational loan appropriate?

If your family has exhausted more attractive financing options such as Cedar Crest's EZ Payment Plan and the Direct Parent PLUS Loan, then you might want to consider a private educational loan. A private loan is a loan that the student borrows, however, in many cases the student will need to secure a credit-worthy co-signer. The student and co-signer should be fully aware that the loan is in both the student's and co-signer's name. If the borrower defaults (stops making payments or is late in making payments) on the private loan, the co-signer is fully responsible for the loan.

## **Am I obligated to use one of the "recommended" lenders?**

No. You are always free to choose among the lenders who provide private educational loans. Please be aware that some smaller banks, credit unions, and "start up" lenders do not participate in the electronic process used at Cedar Crest, so there may be a delay in receiving the loan funds.

You may wish to stay with the same lender (or service provider) for future student loans as this will prevent the receipt of multiple bills every month once you begin repayment, however, this is not required. If you have an existing banking relationship (checking, savings, etc), you should compare your bank's student loan offerings to those of the suggested lenders and make the choice that is best for you. Remember that most banks use third-party servicers (they sell their loans and benefits may not be maintained) to collect payments, so you will probably not be able to make monthly payments at your local bank branch.

## **Private Educational Loans**

A private educational loan is a non-federal educational loan, through a private lending institution, typically issued in the student's name and requiring a cosigner. Each private educational lender has different eligibility requirements (e.g., degree status, enrollment status, and U.S. citizenship), loan rates, repayment terms, and conditions. Some lenders may also require payment of interest while students are in school.

**Important:** We strongly recommend that you research answers to the following questions before applying for a private educational loan or signing any loan paperwork.

### **Eligibility**

- What are the minimum and maximum loan amounts available?
- Will this loan meet my long-term educational borrowing needs as well as my immediate short-term needs?
- How will my credit rating affect my loan?
- Is a cosigner required? If so, under what conditions?
- Is there an option to release the cosigner at a later date?

### **Interest Rate and Fees**

- Does the spread/margin over the interest rate fluctuate?
- Is there an interest rate cap?
- What is the current interest rate?
- What additional fees, interest reductions, or other incentives are offered during the life of the loan? If any, do these conditions vary based on credit rating, academic level, or availability of a cosigner?
- When are late charges assessed, and how much are these charges?
- How is my loan capitalized--annually or only at repayment?

**Repayment Terms and Conditions**

- What are the minimum and maximum terms and payment amounts?
- When do payments begin?
- Can interest only payments be made while still in school?
- Is there a penalty for paying off the loan early?
- Does the lender offer combined billing of alternative and federal loans?
- Are grace periods, deferments, or forbearance offered? If so, what are the conditions and how is interest capitalized during these periods?

**Borrower Benefits**

- Does the lender offer any other borrower benefits? If so, what are the eligibility requirements?
- If a borrower does not qualify for a benefit, what is the appeal process?

**Service**

- What is the turnaround time for credit decisions and disbursement of funds?
- How are problems resolved? Does problem resolution occur in person, by phone, online, or another method?
- Is there access to loan information through the Web?
- What is the lender's policy on selling loans to other lenders after the loan has been disbursed?