

PRIVATE LOAN FAQ

What is a private loan?

- A private loan is a student loan that is lent to the student by a bank or credit union.

Do I need a private loan?

- You may not need a private loan if you qualify for federal loans (Direct Loans in your name and a Direct PLUS Loan in your parent's) and they cover the cost of tuition.
- If your parent is denied a Federal PLUS loan there may be a need to obtain a private loan in your name to pay tuition.

How do I get a private loan?

- To obtain a private loan, you need to find a lender that offers them. Many banks and credit agencies do.
- You will be required to apply for the loan and provide financial information. Your credit will also be checked.
- You may need a cosigner for the loan if your credit is not high enough to obtain the loan on your own.

Below is a chart showcasing the differences between federal and private loans.

| Federal Student Loans | Private Student Loans |
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| You will not have to start repaying your federal student loans until you graduate, leave school, or change your <i>enrollment status</i> to less than half-time. | Many private student loans require payments while you are still in school. |
| The <i>interest rate</i> is fixed and is often lower than private loans—and much lower than some credit card interest rates. View the current interest rates on federal student loans. | Private student loans can have variable interest rates, some greater than 18%. A variable rate may substantially increase the total amount you repay. |
| Undergraduate students with <i>financial need</i> will likely qualify for a <i>subsidized loan</i> where the government pays the interest while you are in school on at least a half-time basis. | Private student loans are not subsidized. No one pays the interest on your loan but you. |
| You don't need to get a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record. | Private student loans may require an established credit record. The cost of a private student loan will depend on your credit score and other factors. |
| You won't need a cosigner to get a <i>federal student loan</i> in most cases. | You may need a cosigner. |
| If you are having trouble repaying your loan, you may be able to temporarily postpone or lower your payments. | Private student loans may not offer forbearance or deferment options. |