Learn about private education loans

Need to fill the gap between available resources and the cost of college? Here are some considerations.

Private education loans are

- Money you borrow for higher education that you'll pay back with interest (whether you graduate or not);
- Generally offered by financial institutions, such as banks or credit unions; and
- Approved based on the applicant's credit. Obtaining a creditworthy cosigner may increase your chances for approval.

When you're just starting out, a student loan may be your first major financial agreement. Do your research, read the disclosures, and know your options.

Who's going to borrow for college?

Another decision to make is who is going to take on the responsibility for private education loans. There are several options available:

- A student can assume responsibility by taking out a student loan; a parent or another creditworthy individual can choose to share the responsibility by cosigning the loan. Many lenders offer a cosigner release where the student can apply to release the cosigner after making a certain amount of on-time payments.[2]
- A parent or another creditworthy individual can assume full responsibility by taking out a private parent loan for education.

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For more information on saving, planning, and paying for college, **visit SallieMae.com/PlanForCollege**

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Borrow responsibly
We encourage students and families to start with savings, grants, scholarships, and federal student loans to pay for college. Students and families should evaluate all anticipated monthly loan payments, and how much the student expects to earn in the future, before considering a private student loan.

[1] This information was gathered on 8/27/18 from https://bigfuture.collegeboard.org/pay-for-college/loans/loan-debt-and-repayment.

[2] Based on a July 31, 2018 review of competitors' loan programs and repayment features.

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What you need to know about

Private education loans

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Make your college financing plan

Paying for college takes some coordination. These action items can help you get started.

Follow this simple 1-2-3 approach to put your plan in place

1. **Start with money you won't have to pay back.** Supplement your college savings and income by maximizing scholarships, grants, and work-study.
2. **Explore federal student loans.** Apply by completing the Free Application for Federal Student Aid.
3. **Consider a responsible private education loan.** Fill the gap between your available resources and the cost of college.

Consider the total cost of attendance

Plan for your college's total cost of attendance (COA), not just tuition and fees. That includes housing, meals, books, personal expenses, and even transportation. This and other information will be included in the financial aid award letter that a school sends you:

- How much your year in college will cost (COA)
- The financial aid package that the school is offering you
- What portion your family is expected to contribute
- Any gap you'll have to make up through other sources

Plan how much you should borrow

How much should you borrow? Only as much as you'll need—and even more important, only what you'll be able to pay back with your anticipated salary after school.

- Use an online calculator to determine your expected monthly payments. You can find one at SallieMae.com/Calculator.
- Consider your current financial situation and estimate your future earning potential in your chosen field.
- Find estimated salaries by occupation at the U.S. Department of Labor's site, bls.gov/oco/.
- According to the College Board®, advisors suggest that a new graduate's monthly student loan payments should be no more than 10%–15% of their starting monthly salary.[1]

Evaluate options among private education loans

Taking out a loan for college is an important financial decision, so do your homework.

First stop should be your college's financial aid office to seek advice and review their "lender list" (a list of private student loan providers that the school recommends), if they have one. Here are some important features to compare:

Interest rates: The rate charged to borrow money. An interest rate can be either "fixed" or "variable."

Fixed interest rate

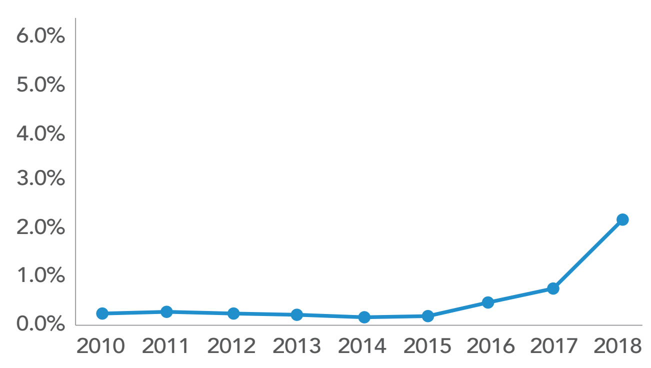
- Stays the same for the life of the loan
- Results in a set monthly payment amount
- May be a higher rate than the starting rate of a variable-rate loan.

Variable interest rate

- May change due to an increase or decrease to the loan's index. Index examples include LIBOR (London Interbank Offered Rate) or Prime Rate.
- May result in monthly payment amounts that change when the interest rate changes. A variable rate can go up, but it can also go down, depending on the loan's index.
- Often starts out lower than a fixed-rate loan.

Which should you get? It depends on your financial situation and your personal preference.

LIBOR Rate History 2010-2018



Benefits: These are features of loan programs that you can take advantage of to save money. For instance, you might get an interest rate reduction if you sign up for auto debit or make on-time payments.

Repayment options: These are the different ways you can pay back your loan. There are generally several options, so you can select the one that's right for your financial situation.

- Making in-school payments can help lower the total cost of your loan.
- Deferring payments while you're in school offers flexibility while you're busy studying. However, unpaid interest grows and may be added to the loan's principal amount.
- Repayment options after graduation: To help you transition from classroom to real world, some loans offer a reduced (or graduated) repayment program after you leave school.

Origination fees: Most private loans don't have disbursement or origination fees (a percentage of the loan amount), but these can increase your loan's cost, so it's wise to check.

Loan term: This is the amount of time you have to pay back the loan. A longer term can mean a lower monthly payment but more interest paid overall; a shorter term results in higher monthly payments, but may result in a lower total cost of the loan.

Choose the loan that's right for you

Now you're ready to select a private education loan. Here are some tips to remember:

- Consult your school's financial aid office and review their lender list.
- Consider getting a creditworthy cosigner if you have limited or no credit history.
- Carefully read and review any offers you receive by mail or email.
- Compare all the features and terms of your potential loans: repayment options, benefits, and the stability of the lender.
- Do your math. Make sure a loan meets your needs—and that the monthly payments will be practical for you to make after you leave school.
- Ask questions! Your school's financial aid office can help explain any points you don't understand.

Compare the features and terms of the loans you're considering:

- Repayment options
- Cosigner release
- Death and disability waiver
- Money-saving programs
- Lender stability

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