

# PRIVATE STUDENT LOAN BASICS

If you've factored in your scholarships, grants, savings and federal student loans and still have college costs to cover, you might consider a private student loan to help. Here's what you need to know about private student loans.

## THE LENDER

Private student loan lenders can be a bank, a credit union or another financial organization.

## TYPE OF INTEREST RATE

Interest is what the lender charges you to borrow money. The interest rate you receive will be based on your creditworthiness, including credit score, credit report and other financial information such as income and expenses. There are two kinds of interest rates — fixed and variable.

- **Fixed Interest Rate**  
With a fixed interest rate, your rate stays the same for the life of the loan and you know exactly how much your payment will be each month.
- **Variable Interest Rate**  
Variable interest rates tend to have a lower starting rate. The rates are tied to an index and your rate can increase or decrease over the life of the loan. Your monthly payment can increase or decrease too.

## COSIGNER

A cosigner is someone who agrees to take equal responsibility for the loan. Your cosigner should be an adult you know well who has excellent credit. By adding a creditworthy cosigner, you may improve your likelihood for loan approval and may receive a lower interest rate.

## FEES

Be sure you're aware of the fees you could be charged, like late-payment fees.

## DEFERRING REPAYMENT

Many private student loans have the option of deferring payments while in school at least half-time. Interest will accrue during this time and unpaid interest will be added to your principal balance at the end of your deferment.

## IN-SCHOOL REPAYMENT

Some lenders may offer repayment options that require small monthly payments or interest-only payments while you're in school. These repayment plans can save money on the cost of the loan.

## GRACE PERIOD

A grace period is a designated period of time after you graduate, leave school or drop below half-time enrollment status before you must begin repaying your loan.

## DISCOUNTS AND BENEFITS

Many lenders offer an interest-rate discount while enrolled in automatic payments. Some lenders offer additional loan benefits. Read the fine print to see if you qualify.