

## Private Loan Comparison

MTSA encourages serious and deliberate consideration be given to making any borrowing decision. Examine all options. Terms and conditions for a Federal Direct Loan may be more favorable than the provisions of private education loans.

Look for private lenders who:

- ❖ have competitive rates
- ❖ provide responsive customer service and straight-forward communication
- ❖ have a reputation for stability and continuity
- ❖ have responsible penalties for late payments

You may use this worksheet to compare lenders and their products. This will give you a list of questions that are important in selecting your lender.

<b>Ask About:</b>	<b>Lender 1:</b>	<b>Lender 2:</b>	<b>Lender 3:</b>
<b>Application Process</b>			
<b>Interest Rates</b> Fixed/Variable With a co-signer? Adjusted when/how?			
<b>Loan Limits</b> Annual & Aggregate? Minimum Amount?			
<b>Fees</b> Origination fees or any other expenses?			
<b>Borrower Benefits</b> during repayment? Direct debit benefit? Co-signer release benefit?			
<b>Repayment Terms</b> Deferment? Death cancellation? Minimum or Maximum term? Prepayment penalties? Do you offer a grace period after graduation?			

MTSA will process a private loan application from any lender you choose. If you have any further questions, please reach out to the Financial Aid Office at [finaid@mtsa.edu](mailto:finaid@mtsa.edu).

Choose wisely and always read the fine print.

## **What is an interest rate?**

The interest rate calculates how much you will pay to borrow money. Your interest rate will be based on either the prime rate or LIBOR, which is the rate your lender pays to borrow money. How is your interest rate determined? Do you want a fixed or variable rate? How does the lender adjust variable interest rates, because as the prime interest rate rises, so does the total repayment amount? Some lenders may adjust rates monthly, others quarterly.

## **Why do I need a co-signer?**

Many private lenders will give you a break on your interest rate if you apply with a credit worthy cosigner. This person becomes responsible for your loan if you should fail to make your payments. If you apply with a cosigner, be sure to ask about cosigner release. Some lenders will release your cosigner after a set number of on-time payments.

## **What is the difference between annual and aggregate loan limits?**

Lenders cap the amount of money you can borrow. Most lenders will not have only an annual limit, meaning you can only borrow so much per year, but also an aggregate, or overall limit. It is important to know your lender's aggregate limit and how it may impact your borrowing for your program of study.

## **What fees should I look for?**

Lenders all assess fees differently. Some may charge an application fee, or origination fee. Bottom line: you need to know about all fees up front, to make your comparison and make the best choice based on the total cost of the loan.

## **What are borrower benefits?**

Lenders may offer perks that reduce the overall cost of your loan. Look for programs like direct debit. Lenders may reduce your interest rate if you sign up for automatic debit of your payment amount. Other benefits to ask about are cosigner release, e-billing, rate reductions for on-time payments.

## **What about repayment?**

You need to ask the lender if they offer deferments should you need to cease making payments due to a hardship. In what cases do they offer a delay repayment? Do they offer a death-cancellation provision? Most lenders will offer you a six-month grace period after you graduate. You need to find out the length of your repayment term. This will vary and impact the total cost of your loan. Is there a prepayment penalty?

## **Before borrowing, consider these tips:**

- Create a budget of your expenses and total education costs.
- Be creative to keep costs down so you can borrow as little as possible.
- Determine your monthly loan payment based on what you are borrowing and be sure your anticipated salary after college will cover your living expenses and loan payments.