

Study Guide:

How to Choose a Private Loan and Lender

Key Points

- ▶ Private loans typically have variable interest rates, so payment amounts may go up or down over time.
- ▶ Understand the terms of your loan before you sign. Compare terms, discounts and benefits. The terms of any private loan will depend on your credit history.
- ▶ You might get a better interest rate if your parent or someone with good credit co-signs your private loan with you.

Once you've identified all sources of "free" money for school (like scholarships) and obtained your federal loans, if you still need more money for college, you may want to consider private loans. Private education loans are issued by financial services companies like banks and finance companies and are not guaranteed by a federal government agency. Terms for private loans vary significantly from lender to lender and from borrower to borrower, based on your and/or your family's credit history.

Most private loans are school-certified private loans. These loans are "certified," meaning that the school signs off that the amount of the loan is appropriate for your education finance needs. Ask your college's financial aid office if they have a list of recommended lenders, or ask your bank or preferred lender if they offer student loans. With school-certified private loans, you usually get a decision right away, and the funds are quickly disbursed directly to your school to be applied toward your tuition and fees.

Action Step

- ! Don't ignore small differences in loans rates, terms and services. Over the years they can save you money and simplify your life.



for the **ACHIEVER** in us all™



Ask Questions, Get Answers

Topic	Ask the Lender	Why It's Important
Interest Rates	<p>What are the interest rates?</p> <p>How can I get a better rate?</p>	<p>Private loans have variable interest rates. This means your payments may go up or down during the repayment period.</p> <p>In general, interest rates are based on one of two standard indices—Prime Rate or LIBOR—which are the basis for many types of loans, including home loans, auto loans, credit cards and student loans. Rates can and do change often.</p> <p>For student loans, lenders usually express rates as an index rate plus an additional amount or margin. For example, a bank may say they offer PRIME + 0% or LIBOR + 2.80%. Because different lenders use different indices and different margin rates, it can be difficult to compare loans. For example, “PRIME + 0%” sounds better than “LIBOR + 2.80%.” But if the Prime Rate is higher than LIBOR (which it usually is), the LIBOR-based rate may be the better deal.</p> <p>Lenders typically promote their lowest, most competitive interest rate; this is the rate that is available for borrowers with the best credit. Your rate may be different, depending on your credit history and on the repayment plan you choose. The good news is that you may qualify for a lower interest rate if you apply for your private loan with a co-signer. Signing with a parent, grandparent or other creditworthy individual makes it safer for the bank to loan you money, so they can charge less interest. Co-signing means that you and your co-signer are both responsible for repaying the loan.</p>
Repayment Plans	<p>What are my repayment terms?</p>	<p>Some lenders may allow you to delay repayment for up to six months after graduation or upon leaving school. However, other lenders may require you to begin repayment immediately. You should understand repayment rules well, because they can affect the total amount you’ll need to repay. As always, make sure you read the fine print and understand just what you’re agreeing to before you sign.</p>

Topic	Ask the Lender	Why It's Important
Repayment Discounts and Incentives	<p>Do you offer discounts or incentives?</p> <p>How do I qualify?</p> <p>Are there any conditions under which I could lose my incentives?</p>	<p>Lenders may offer a discount on your interest rate in exchange for making payments automatically from a checking or savings account. If you discontinue automatic payment, you'll lose the discount.</p>
Up-front Fees	<p>What fees do you charge for student loans?</p>	<p>Lenders may, and often do, charge various fees for their loans. These include origination fees and default fees.</p> <p>Fees vary by lender and may be affected by your credit history. Origination fees are one time charges expressed as a percentage of how much you want to borrow (from 0% to 11% or more), and are based on your (and your co-signer's) credit history. Fees typically get added to the requested loan amount.</p>
Capabilities	<p>Can you provide all the different financial services that I may need while in school?</p>	<p>If you have other financial needs, such as checking and saving accounts, or credit and debit cards, you may want to look at a lender who can provide one-stop shopping for you.</p>
Loan Servicing Policies	<p>Who will service my loan?</p>	<p>The loan servicer is the company that is your contact for making payments, and they assist you when you have questions or need help. Some lenders will service your loan themselves for the life of the loan. Some may sell your loan to another company. Lenders will often use business partners to help service your loans, typically when you begin repayment.</p> <p><i>Borrowing Tip: Ask the lender about their service partners. Good servicing is important—you'll be dealing with this company for years.</i></p>

Private Loan Process

For school-certified private loans, students are usually required to fill out an application directly through the lender.

Step 1:

Completing Your Loan Application and Getting Conditional Approval

Private loan applications can usually be filled out online—either linked off the school financial aid site, or directly on the lender's site. Most private loans are credit-based. Since most undergraduate students

don't have a lengthy credit history that allows for a high credit score, you may want to apply with a parent or other creditworthy co-signer.

Generally, you will find out within a day or two if your loan has been conditionally approved.

Step 2:

Establishing the Loan Amount

Once you are conditionally approved, the lender asks the school to certify how much you can borrow. This amount is based on the school's Cost of Attendance (COA)—the total cost of your tuition and fees, room and board, and books and supplies, plus an allowance for other miscellaneous expenses—minus your other aid.

Step 3:

Signing the Promissory Note

You (and any co-signer) will be asked to sign a promissory note—a legally binding contract in which you promise to repay the loan—with the terms of

your loan, based on how much you borrowed and your credit score. Make sure that you understand your interest rate, origination fees and any conditions before you sign the promissory note.

Private loan applications are processed quickly— you'll likely have time to look for another lender if you decide you don't like the terms.

Step 4:

Getting the Funds

Funds are disbursed to the school bursar's office to apply against your account and are usually disbursed at the start of each school

term (quarter, semester, etc.) on the dates requested by your school. Your disbursement schedule should be outlined in the documentation you receive from your lender.

Get to Know Your Loan Team

All lenders have partners that help them service, originate and guarantee student loans.

- **Your loan servicer** is the company that is your contact for making payments. They assist you when you have questions.
- **Your loan originator** handles the initial application processing and disbursement of loan proceeds.
- **Your loan guarantors** insure lenders against default by borrowers.

If you have any questions about who to contact, always start with your lender.

Count On Us for the Help You Need

College will be one of the most exciting times of your life. PNC wants to make sure you are focused on your education and having fun, not stressing about how much it all costs. Choosing a lender that can help you make smart financial decisions throughout the college loan process is essential. Take the time to explore your options and ask questions, so you'll be confident you've got the right partner helping you manage one of the most important investments you'll ever make. If you have any questions about college loans or other aspects of the college funding process, please don't hesitate to visit PNC online at pnconcampus.com.

CONTACT US FOR MORE INFORMATION

Phone: 1-800-762-1001

Web: pnconcampus.com

Email: edulans@pncbank.com

