

## COMPARING PRIVATE LOANS

### *Basic questions to ask lenders*

#### Interest Rates, Loan Length, Grace Period

- What are the loan interest rates?
- What is the length (years) of the loan?
- Is there a grace period (6-9 months is common) before payments begin?

#### Fees

- Does the loan include origination fees and/or fees for bounced checks?
- Does the loan include fees for accounts without enough funds to make a loan payment?
- Are there surcharges for loan payments that are made with a credit card?

#### Deferment, Forbearance, Forgiveness

- Can borrowers defer payments while they are in school?
- Can borrowers cease payments (forbearance) if they face an unforeseen hardship?
- Is loan forgiveness available to a borrower who dies or is disabled?

#### Incentives

- Does the lender offer incentives for borrowers who obtain good grades?
- Does the lender offer discounts for borrowers who make ACH payments?

#### Other Items

- Are borrowers permitted to skip loan payments?
- Does the lender require a loan co-signer?
- Is Satisfactory Academic Progress a condition of the loan?

\*\*\*\*\*

## LOAN INTEREST RATES & ANNUAL PERCENTAGE RATES (APR)

### *Understand the difference between Interest Rates & APR*

Loan Interest Rate: This is contractually defined by the lender but does **not** include any additional fees.

APR: This includes the **total cost** of borrowing, which encompasses the loan interest **plus** fees. These fees (such as loan origination fees) are “hidden” costs that can increase the overall cost of borrowing.

Bottom Line: The APR allows borrowers to make **apples-to-apples comparisons** between lenders.

\*\*\*\*\*