

Private Education Loans

If you need additional funds to meet your education costs, alternative loans may be an option for you. Alternative loans are private loans made through private lending institutions (banks, credit unions or other, private educational lenders). These loans are not part of the federal government loan programs – they are credit-based and may require a cosigner. Alternative loans are generally more expensive than federal government guaranteed loans and should only be used when all other options have been exhausted.

Research all possibilities for scholarships, grants, work-study and federal loan programs before borrowing from an alternative loan program

Reasons to Borrow Federal Student Loans First:

We highly recommend that you borrow your full eligibility of Direct Subsidized/Unsubsidized loans—and your parent considers borrowing a Direct Parent PLUS loan—before borrowing a private education loan.

- **Interest rate:** Historically, private student loans have typically had higher interest rates than federal student loans, and many have variable interest rates (unlike federal loans, which have fixed rates).
- **Repayment timeline:** You do not have to start repaying federal student loans until you graduate or are enrolled less than half-time. Some private loans may require payments while you are still in school.
- **Repayment plans:** Federal student loans have many repayment plan options, including plans that base monthly payment amounts on your income. Most private loans have limited repayment plans available.
- **Forgiveness options:** You may be eligible to have a portion of your [federal loans forgiven](#) if you work in public service. It's unlikely that private loan lenders will offer loan forgiveness plans.

Find a summary of the differences between federal and private loans on the [Federal Student Aid website](#).

Reasons to Consider a Private Student Loan:

In some situations, a private education loan may be a better option. Reasons to consider a private loan:

- **Repayment responsibility:** Private loans are typically borrowed by the student, usually with a cosigner. This means the student is responsible for paying back the loan (unlike a Parent PLUS loan where the student has no repayment responsibility).
- **Overall cost:** If you have good credit, and can obtain a low interest rate, it may cost you less over the life of the loan. This depends on repayment options, length of repayment and total borrowing.
- **Parent PLUS loan unavailable:** If you are considered an [independent student](#) (according to the FAFSA), or your parent is unable or unwilling to borrow a Parent PLUS loan, a private loan can help cover your educational expenses.

Private Education Loan Terms

Lender:	Typically, a commercial bank or credit union.
Maximum Loan Amount:	Up to your cost of attendance, minus all other financial aid.
Interest Rate:	Can be fixed or variable; depends on lender and borrower credit. Variable rates generally range from 2.25% to 10%; fixed generally range from 5.25% to 14%.
Fees:	Varies, but most private loans do not have upfront fees.
Requirements to Receive Funds:	Requirements may differ based on each lender. For example, some lenders may require half-time enrollment while others may not.

Repayment Terms

Grace Period:	Typically, 6 to 9 months, depending on lender.
Repayment Length:	Typically, between 15 and 25 years, depending on lender.
Payment Due:	Monthly
Payment Amount:	Depends on lender and amount borrowed.

Our Preferred Private Loan Lenders:

To help you find the best loan option, our office researches and evaluates many different lenders. We search for companies who provide the most competitive loans for students, and those lenders are chosen to appear on our preferred lender list, hosted by [ELMSelect](#). This site will help you learn about your options and understand your responsibilities and will allow you to compare lenders side-by-side according to overall cost, interest rate and repayment benefits. We encourage you to visit ELMSelect first if you are considering a private education loan, but we will certify a private loan from the lender you choose.

Applying for a Private Loan:

If you decide that a private education loan is the right choice, you will need to apply directly with the lender you have chosen. A credit check is always a part of the application process, which may include an evaluation of your credit score and debt-to-income ratio (depending on the lender). Lenders may ask for you to sign a form called a Private Education Loan Self-Certification Form. The information you need to complete the form can be found on your award letter, or in BannerWeb, under Financial Aid Status. They will ask for your Cost of Attendance, the total amount of aid you have been awarded, and the difference between the two numbers. If you need assistance with this form, please contact our office. Once you apply, the lender will send us a request to certify your eligibility for the loan. If we are able to certify it, the loan will be added to your existing financial aid offer.

Please note: We will not begin certifying these loans for the academic year until you are enrolled. Therefore, you should wait to apply for a private loan until that time.

Receiving Your Private Loan Funds:

As with all other types of financial aid, private loan funds will first be sent from your lender to the UIW Business Office to be applied directly to your UIW bill. If any additional funds remain after the bill has been paid in full, the excess funds will be refunded to you directly.

Important Tips to Consider:

Choosing the right loan to help pay for your education is an important decision, and you should carefully review all details before selecting a private loan program. Here are some additional tips to help you make the best choice:

- **Exhaust federal loans.** Federal Direct loans (including Parent PLUS loans) have more favorable terms for borrowers. So, exhaust those options first.
- **Compare your options.** Private loans vary significantly in repayment features, eligibility criteria, and borrower benefits. Be sure to thoroughly evaluate each lender you may be considering.
- **Apply with a cosigner.** Many times, it may be better to apply with a cosigner, even if you could qualify for the loan on your own. Applying with a cosigner usually results in a lower interest rate because the loans are not as risky for the lender.
- **Pay attention to fees.** The fees charged by some lenders can significantly increase the cost of the loan. A loan with a relatively low interest rate but high fees can ultimately cost more than a loan with a somewhat higher interest rate and no fees.
- **Only borrow what you need!** This may seem obvious, but many students will borrow up to their total cost of attendance, even if they do not need to. Be sure that if you decide to apply for a private loan, you are only borrowing what you need to pay for educational expenses.
- **Think long term.** Remember that if you need to apply for an additional loan during your first year at UIW, you will likely need to borrow additional loans over the next 3 years. Loan debt can accumulate quickly; if you get in over your head, you may have trouble getting approved for a car loan, a credit card, or a home mortgage after you graduate!