



PRIVATE EDUCATION LOAN CHECKLIST

Private credit-based educational loans are loans offered by private commercial lenders or state loan authorities for the purpose of financing college costs. Qualifications and eligibility criteria vary by lender. Most lenders require a credit-worthy U.S. borrower and sometimes a co-borrower. Brown University does not endorse or recommend any specific private loan product over another, since students and families should determine which loan option most closely aligns with their plans, priorities, and financial circumstances. Families are encouraged to use the internet to research details on private educational loan products and conduct comparisons between loan offerings.

We recommend that families consider the following information before making a borrowing decision:

- Exhaust federal loans for both students and parents:** For students who are U.S. citizens or permanent residents, maximize your federal education loans first. Contact the Office of Financial Aid at Financial_Aid@brown.edu to see if you have remaining federal loan eligibility. We advise parents to consider the federal parent PLUS loan. Contact the Loan Office at Loans@brown.edu for more information on this loan.
- Be an educated consumer:** Learn the language of student loans, including terms such as interest, deferment, repayment, capitalization, forbearance, default, etc. A glossary is available at: http://brown.edu/Administration/Financial_Services/Loan/Information/common.html
- Decide who will borrow:** Some loans are only offered to students, some only to parents. If considering a private education loan, decide who will borrow and if a cosigner is required. Keep in mind applying with a cosigner may result in slightly lower interest rates.
- Borrow only what you need:** Avoid the temptation to borrow more, especially if you are informed that you qualify for more than what you need. Remember, you must pay back every dollar borrowed, plus interest.
- Recognize your long term commitment:** Realize that borrowing loans can impact your financial choices and priorities after graduation. You can view your cumulative federal loan borrowing history at <http://nslds.ed.gov>
- Be prepared:** Because private loan lenders will review your credit, evaluate your own credit history. You are entitled to one free credit report annually at www.annualcreditreport.com. If you believe you may not qualify for a private loan because of compromised credit, it is advisable to resolve any issues before applying.
- Don't decide on the interest rate alone:** Consider loan comparisons using either long term priorities (the total cost of borrowing) vs. short term priorities (such as the lowest monthly payment requirement) or both. Consider the amount of loan fees charged. Weigh what you can afford monthly vs. how much you are willing to spend over the life of the loan repayment. Use a calculator to estimate your monthly payments (such as <http://www.finaid.org/calculators>.)
- Don't overextend yourself:** Industry advisors suggest that your monthly student loan repayment obligations not exceed 10-11% of your monthly income, especially if you have other forms of debt (credit cards, car payments, etc). If your payments will, you may want to consider ways to consolidate your loans after you graduate or borrow from lenders who offer repayment terms that can accommodate a lower monthly payment.
- Be cautious of borrower-based benefits** offered with the loan. Examples include cosigner releases, interest rate reductions with on-time payments after a set period, etc. Although these incentives are attractive, statistics show only a small percentage of borrowers qualify for them.
- Know your repayment contingencies:** Research "what if scenarios" on repayment, such as: If you leave and later return to school, do you still have to continue payments your loan?; If you run into financial hardship, can you postpone payments?; or If you die, does your estate and/or cosigner get released?
- Avoid Loan Default:** If you fail to honor the terms of your promissory note, you risk default, which will have an adverse effect on your credit. This can have a negative impact for years and may prevent you from using your credit for future purchases and financing.
- Keep in touch:** It is YOUR responsibility to notify your lender if you move, if you go back to school (and wish to apply for deferment of your loan), etc. You should not rely on any other party to do this for you, including Brown.